

Guide to Ownership



*Welcome to Villas de Palermo
Guide to Ownership*

13 January 2016

Guide to Ownership

Table of Contents

Welcome to Villas de Palermo	4
Nicaragua.....	4
San Juan del Sur	4
Villas de Palermo	4
Map of Villas de Palermo	5
Villa Furnishings and Upgrades.....	6
Standard features of each Villa.....	6
Extra touches – also standard in every Villa.....	6
Architect	7
Floor Plan - First Floor	7
Floor Plan - Second Floor	8
Location	9
Directions from Pan American Highway	9
Suggested Modes of Transportation.....	9
Parking.....	9
Items Requiring Consideration before Investing.....	10
Operating Structure and Accounting	10
Board of Directors and Management	10
Monthly Maintenance Plans	10
Option 1: Plan of 109 days. Total interior and exterior maintenance of the villa.....	10
Option 2: Plan of 355 Days with partial interior and exterior maintenance	12
Option 3: Plan of 365 Days with minimal maintenance	14
Homeowner Meeting.....	15
Cable TV	16
Internet Access	16
Communications.....	16
Housekeeping	16
Laundry.....	17
Maintenance.....	17
Gardening	17
Security.....	17
Electricity	17

Guide to Ownership

Generators and Backup Power	18
Water	18
Next Steps for New Owners	19
Step 1 – Introduce Yourself.....	19
Step 2 – Schedule Walk-through of Your Villa	19
Step 3 – Schedule Financial Review and sign covenants and restrictions document	19
Frequently asked Questions	20
Appendix A – Introduction Letter and Walk-through.....	23

Welcome to Villas de Palermo

This guide conveys information that may be useful to existing and potential homeowners in the community of Villas de Palermo.

Nicaragua

Nicaragua is a tourist and retirement destination boasting cultural arts, history and offering a beautiful ecosystem similar to its southern neighbor, Costa Rica. Tourists, retirees and investors can all enjoy Nicaragua's friendly people, beautiful landscape and affordability.

Nicaragua's proximity to the United States makes visiting convenient. Only two hours from Miami and three hours from Houston, many investors consider Nicaragua as a retirement destination. Nicaragua's Law 306 and various ex-pat resident programs offers tax incentives to developers and retirees in Nicaragua.

San Juan del Sur

San Juan del Sur, once a sleepy fishing port, is a hub for tourism on Nicaragua's Southern Pacific coast. San Juan del Sur is home to national surfing championships, uncrowded beaches, casual night-life, many new restaurants and spectacular sunsets. The town is conveniently located approximately a thirty minute drive from the Costa Rican border and two hours from the international airport in Managua. Tourists visit San Juan for fishing, surfing, boating, hiking and relaxing.

San Juan del Sur offers many amenities but keeps its authentic charm. Tourist services and infrastructure are evolving. Visitors find many restaurants, hotels, shops, and internet cafes. National and local projects continue to improve access to power, paved roads, water, sewer, physicians, gas stations and markets. Cruise lines make San Juan del Sur one of their Central American destination stops.

Today, the highway from the Managua airport to San Juan del Sur is paved, striped and nicely maintained! The drive took upwards of 4 hours only 5 years ago, and now the trip is a much more pleasant 2 hour drive!

Villas de Palermo

As all types of tourism in Nicaragua and San Juan del Sur grows, there is an increasing need for both hostels and destination resorts. Travelers seeking up-scale, full-service properties to maximize the enjoyment of their vacation now have several world-class resorts to enjoy.

With a close proximity to town, Villas de Palermo Hotel and Resort is a popular resort in San Juan del Sur for upscale travelers and destination weddings. Villas de Palermo Hotel and Resort focuses on convenience for owners and visitors. It offers a turn-key property management experience for owners. The management company maintains the property and manages the hotel operation and restaurant. As a Nicaragua Law 306 approved company, the management company enjoys a waiver of property taxes and

Guide to Ownership

taxes on 80% of operating profits for ten years (23 October 2007 through 23 October 2017).

Each home and the land it occupies in Villas de Palermo is privately owned. There is no condominium, horizontal property regime or time-share structure. Owners have an option to become shareholders in the operating company that owns the restaurant, pool, roads, land and service buildings in the community. Some owners choose to become shareholders in the Nicaraguan SA operating company and others prefer not to complicate their US tax filing with ownership in a foreign corporation.

Villas de Palermo is situated within a larger community known as Lomas de Palermo, over 1,000 acres in size with gradual forested hills and green pastures below. Both communities provide the feel of living in the tropics, mixed with country living. Villas de Palermo offers a quiet and peaceful setting on the outskirts of San Juan del Sur. Situated in the foot-hills, each Villa has a dramatic view of San Juan del Sur's harbor, yet is protected from noise generated by the all-night discos in town and the sea.

Breezes help to maintain a comfortable temperature, relative to the lower-lying areas in town. A rich natural habitat provides for numerous activities including hiking, a zip-line canopy tour and horseback riding within our community. Villas de Palermo offers a clubhouse with pool, restaurant and bar, housekeeping and concierge services.

Map of Villas de Palermo



Guide to Ownership

Villa Furnishings and Upgrades

Each villa has the same floor plans and general configurations. There are two roof styles. Art and furniture vary slightly from villa to villa.

Standard features of each Villa

- Elegant decor, ceramic tile and exotic hardwood trim throughout
- 2-zone air conditioning with separate thermostats for each zone
- A/C and ceiling fan in downstairs bedroom
- Instant, on-demand, electric hot water
- Hand-finished, ceramic tile flooring throughout
- Custom, solid wood doors
- Decorative and recessed lighting
- Soundproof exterior and interior walls
- Custom windows
- Steel-reinforced concrete and concrete-block construction typical of US building standards
- Sliding glass doors to covered terrace and upstairs balcony
- Eat-in kitchens with refrigerator, oven, cook-top, sink and microwave
- Custom countertops and custom wood cabinetry
- Walk-in bedroom closets and large, locking owner's storage area
- Ceramic tile in showers
- Lush, tropical landscaping

Extra touches – also standard in every Villa

- Wi-Fi internet throughout Villas de Palermo – ask concierge for password
- Bring your laptop and use skype to stay in-touch with home and office
- Upstairs and downstairs workspaces for office tasks
- High-quality bedroom linens and bathroom towels
- Kitchen pantry with service for four: including dishes, glasses, silverware, cooking utensils, towels, coffee pot and small appliances, wine glasses, bottle opener, etc.
- Wood furniture from Simplemente Madera in Managua: 1 queen bed in most bedrooms (although some bedrooms have two twin beds), night stands, couches, chairs, desks, coffee table, end table, lamps, dining room table and chairs
- Cable television, stereo, alarm clocks and DVD player

Guide to Ownership

Architect

Villas de Palermo offers an appreciation for open space, wildlife, the sea and for preserving the culture and history of Nicaragua. The following floor plans are for general information, as many changes were made during the actual construction of the villas. The project architect, Eduardo Chamorro, has extensive expertise in both Central America and Florida. Some of his other work includes the condos at Playa Coco, Iglesia Santa Domingo, INCAE offices in Costa Rica, and the Managua government building. Mr. Chamorro's thoughtful designs are reflected in the Villas de Palermo Master Plan, Villas and Clubhouse.

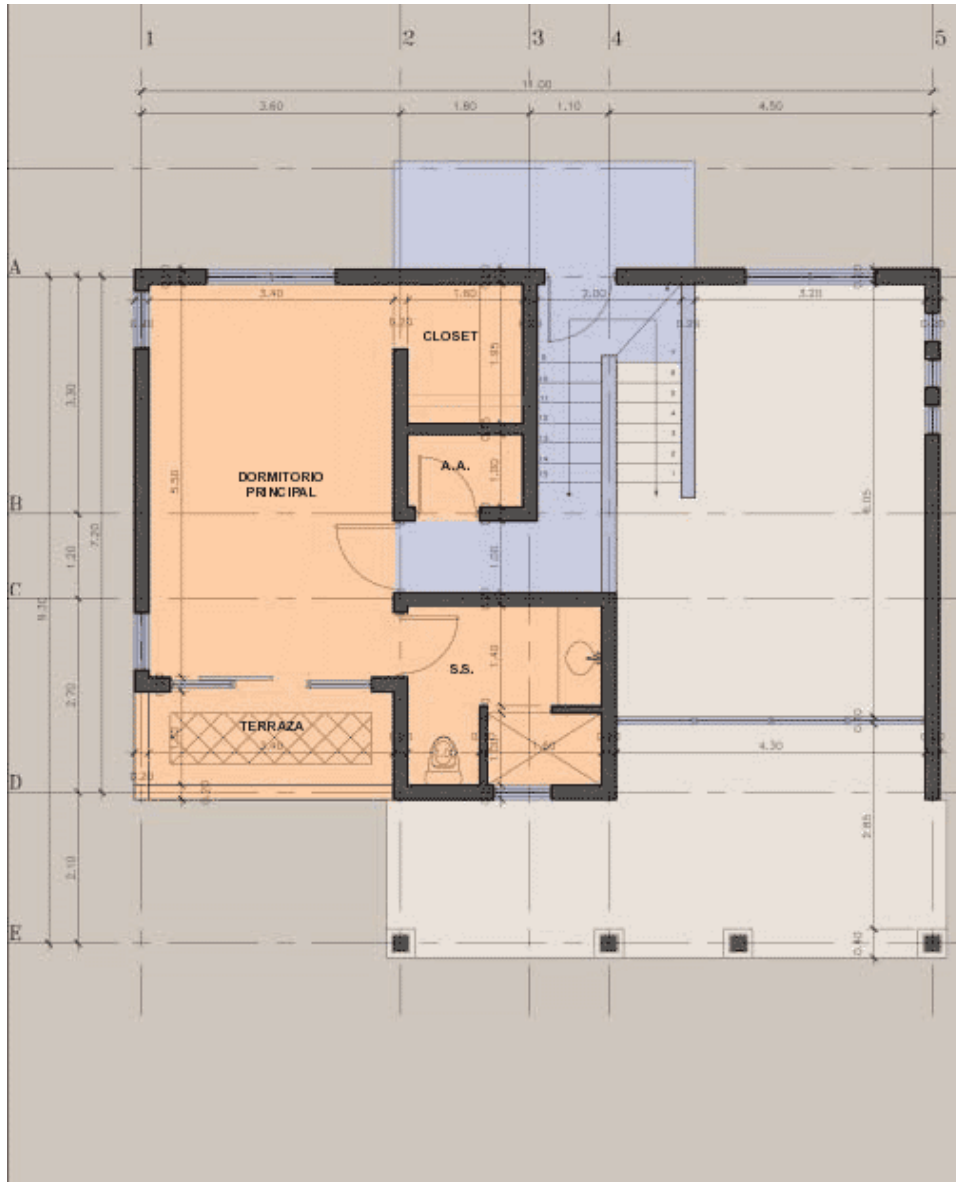
Floor Plan - First Floor



CASA TIPICA VILLAS DE PALERMO • PLANTA BAJA • SAN JUAN DEL SUR, RIVAS • NICARAGUA
EDUARDO CHAMORRO CORONEL, HON. FAIA, ARQUITECTO • SEPTIEMBRE 2004

Guide to Ownership

Floor Plan - Second Floor



CASA TIPICA VILLAS DE PALERMO • PLANTA ALTA • SAN JUAN DEL SUR, RIVAS • NICARAGUA
EDUARDO CHAMORRO CORONEL, HON. FAIA, ARQUITECTO • SEPTIEMBRE 2004

Guide to Ownership

Location

Villas de Palermo is located in the town of San Juan del Sur on the southern Pacific coast of Nicaragua. This peaceful and private ecologically-friendly community overlooks the Pacific Ocean and pastures of the Agrícola Santa Ana farm. Two international airports: one in Managua, Nicaragua (MGA) and the other in Liberia, Costa Rica (LIR) provide access from the USA, Europe and other areas in Central and South America. A new airport in Tola opens access from Managua to the local area. Another airstrip about 7 miles north at Morgan's Rock Ecolodge offers closer access to guests who have access to a private plane. The roads are good and paved between Managua, Villas de Palermo and San Juan del Sur. San Juan del Sur is a few minutes away.

Travel Times

- 30 minutes from Rivas
- 2 hours from Managua International Airport (MGA)
- 3 hours from Liberia International Airport (LIR)
- 30 minutes from the Costa Rica border
- Minutes to San Juan del Sur's discos, fishing, surfing, shopping, rental cars and restaurants.

Directions from Pan American Highway

- From the Pan American Highway heading south, turn right (west) at the obelisk marking the entrance to the San Juan del Sur Highway at La Virgen. Travel 12 miles (20 kilometers) and watch on the right for two large concrete signs flanking the entrance to the Palermo Hotel and Resort. If you arrive at the gasoline station in the town of San Juan del Sur or pass the Palí grocery store or your left, you've missed the entrance and have driven too far.
- Drive up the paved road to Palermo Hotel and Resort. Turn left towards the ocean at every intersection and follow the road to the main gate. Introduce yourself to the security staff, enter Palermo Hotel and Resort, turn right and park to go into the lobby of the clubhouse and reception desk.

Suggested Modes of Transportation

- Private or shared, air-conditioned van service from Managua International Airport booked through hotel reservations
- Car rentals booked through hotel reservations for pick up in San Juan del Sur, Managua or Peñas Blancas at the Costa Rican border crossing
- Large, air-conditioned tour bus from Liberia to the Costa Rican border at Peñas Blancas or to downtown Rivas, where the hotel will meet you

Parking

- Secure parking for private vehicles on Villas de Palermo property.

Guide to Ownership

Items Requiring Consideration before Investing

The below topics are not in any assumed order of importance!

Operating Structure and Accounting

The operating company for Villas de Palermo is a Nicaraguan corporation operating under Law 306: Empresa Turistica del Pacifico, S.A. (ETP). This company operates the hotel, employs staff and maintains the property on behalf of the homeowners. ETP is subject to all Nicaraguan rules of accounting and annual reporting is shared with homeowners.

ETP also manages the restaurant and bar operation. Any profit or losses are shared by homeowners, in the same manner as hotel revenue. We encourage all owners and guests to enjoy the delicious food in our restaurant, because each meal served contributes to the profitability our operation.

Board of Directors and Management

Every member of the Board of Directors of ETP is a homeowner elected by the homeowners (one vote per villa). There is no external marketing organization or corporate ownership. All decisions made about the community are made by the board elected by the owners. There are currently five board members. The Board makes financial decisions on behalf of the homeowners, oversees the operation of ETP, and hires a General Manager to operate the hotel and restaurant businesses. Annual elections choose two board members who each serve a three-year term from 1 August through 31 July.

Monthly Maintenance Plans

Options for various maintenance plans are set by the Board of Directors of the ETP at the beginning of each fiscal year (July 1 to June 30) based on an annual budget and may be changed from time based on financial performance of the hotel and maintenance costs for the property. For 2016, there are three options available in the community of Villas de Palermo. Each owner chooses the model that best suits their need for rent, discounted maintenance and days of use annually. An owner may change plans at any time with 30 days notice.

Option 1: Plan of 109 days. Total interior and exterior maintenance of the villa

US \$315 is the monthly maintenance fee 2016

Homeowner use or homeowner rental of the villa for up to 109 nights per year. Because the villa owner offers the hotel operation some rental income from the villa, the maintenance costs are discounted about 70% from actual costs. This plan includes full maintenance, repair and replacement all items inside and outside the villa. Each year there are 10 holiday nights reserved by the hotel operation to rent villas (Easter, September 13 –

Guide to Ownership

15 Nicaraguan Independence Days and 29-31 December for the New Year's Eve). These nights are available for use by the homeowner's immediate family, but may not be rented privately for income by the homeowner. Most homeowners choose this plan.

Services included in Option 1: Plan of 109 days

water service to villa
sediment filters in water supply maintained and serviced daily
electric service to villa
cable TV service to villa
septic system
24 hours security and gated entrance to property
lush, tropical landscaping maintained around villa and pool area
bedroom ceiling fan(s)
WIFI internet service to villa and wireless router inside villa
daily removal of trash from villa
ceramic tile floors and showers
interior and exterior spraying for insects and rodents
connection for electric dishwasher
connection for garbage disposal
access to community pool and use of pool towels
access to community restaurant and bar
secure parking
lighted roads and pathways throughout community
free hourly transportation to/from San Juan del Sur from 7-6PM
secure, locking storage for valuables in villa
evening quiet hours
on call medical services
information about local power outages delivered to your villa
wood treatment outside villa
weatherproofing of building structure and windows
concierge service for you and your guests
instant electric hot water in two bathrooms and kitchen
bed linens, blankets, pillows and bedspreads
bath towels, shower curtain and bathmats
kitchen supplied with full service for 4 people
shampoo, soap, kitchen dish detergent
generator power for lights and fans (some villas)
wood treatment of furniture
repainting of interior, as needed
replacement of broken glass
repair and/or replacement of damaged appliances and furniture
repair and/or replacement of cooling systems

Guide to Ownership

repair/replacement of plumbing systems and components
repair/replacement of electrical systems and components
repair/replacement of one TV and DVD player
repair/replacement of refrigerator, microwave, coffee maker, range and hood
replacement of lightbulbs

available at extra charge in Option 1: Plan of 109 days

cleaning service for homeowner and guests
filtered water and stand delivered to villa
twice weekly change of towels and bed linens during stay
metered electricity charged to homeowner and guests
discounted laundry service by weight
room service from restaurant and bar
on-site chef and event planner for catered events
concierge and billing service for rentals by homeowner
in-villa spa services
airport and local transportation

Option 2: Plan of 355 Days with partial interior and exterior maintenance US \$515 is the monthly maintenance fee 2016

Homeowner use or rental of the villa for up to 355 days a year. This plan is designed for owners who want to use or rent their home frequently and want the most rental income possible each year. This plan offers services similar to the 109 maintenance plan, while the villa is rented by the hotel operation. Neither the owners nor tenants can book Easter, September 13 – 15 Nicaraguan Independence Days or 29-31 December in the New Year's Eve without paying a rental fee (with an owner discount.) Some homeowners choose this plan after they have used 109 days in a year.

Services included in Option 2: Plan of 355 days

water service to villa
sediment filters in water supply maintained and serviced daily
electric service to villa
cable TV service to villa
septic system
24 hours security and gated entrance to property
lush, tropical landscaping maintained around villa and pool area
bedroom ceiling fan(s)
WIFI internet service to villa and wireless router inside villa
daily removal of trash from villa
ceramic tile floors and showers
interior and exterior spraying for insects and rodents

Guide to Ownership

connection for electric dishwasher
connection for garbage disposal
access to community pool and use of pool towels
access to community restaurant and bar
secure parking
lighted roads and pathways throughout community
free hourly transportation to/from San Juan del Sur from 7-6PM
secure, locking storage for valuables in villa
evening quiet hours
on call medical services
information about local power outages delivered to your villa
wood treatment outside villa
weatherproofing of building structure and windows
concierge service for you and your guests
instant electric hot water in two bathrooms and kitchen
bed linens, blankets, pillows and bedspreads
bath towels, shower curtain and bathmats
kitchen supplied with full service for 4 people
shampoo, soap, kitchen dish detergent
generator power for lights and fans (Villas 1-6)

**provided by ETP, only if repair becomes necessary during rental by ETP
guest in Option 2: Plan of 355 days:**

repair of furniture
replacement of broken glass
repair and/or replacement of damaged appliances and furniture
repair and/or replacement of cooling systems and components
repair/replacement of plumbing systems and components
repair/replacement of electrical systems and components
repair/replacement of one TV and DVD player
repair/replacement of refrigerator, microwave, coffee maker, range and hood
replacement of lightbulbs
reupholstering of couch cushions
replacement of broken or missing kitchen supplies

available at extra charge in Option 2: Plan of 355 days:

cleaning service for homeowner and guests
filtered water and stand delivered to villa
twice weekly change of towels and bed linens during stay
metered electricity charged to homeowner and guests
discounted laundry service by weight

Guide to Ownership

- room service from restaurant and bar
- on-site chef and event planner for catered events
- concierge and billing service for rentals by homeowner
- in-villa spa services
- airport and local transportation
- wood treatment of furniture

Option 3: Plan of 365 Days with minimal maintenance US \$715 is the monthly maintenance fee 2016

Homeowner use or rental of the villa every day. This is the only plan that allows an owner to customize and redesign the interior of the villa. This plan is designed for residents living in their home throughout the year, who are often owners who choose to do their own maintenance. This plan offers no opportunity for the hotel to rent the house during the peak holiday nights, so the monthly maintenance is priced at the actual cost of services provided. A common upgrade is to add a third bathroom off the kitchen with a small nook where a maid or nanny can sleep.

Services included in Option 3: Plan of 365 days

- water service to villa
- sediment filters in water supply maintained and serviced daily
- electric service to villa
- cable TV service to villa
- septic system
- 24 hours security and gated entrance to property
- lush, tropical landscaping maintained around villa and pool area
- bedroom ceiling fan(s)
- WIFI internet service to villa and wireless router inside villa
- daily removal of trash from villa
- ceramic tile floors and showers
- exterior spraying for insects and rodents
- connection for electric dishwasher
- connection for garbage disposal
- access to community pool and use of pool towels
- access to community restaurant and bar
- secure parking
- lighted roads and pathways throughout community
- free hourly transportation to/from San Juan del Sur from 7-6PM
- secure, locking storage for valuables in villa
- evening quiet hours
- on call medical services
- information about local power outages delivered to your villa

Guide to Ownership

available at extra charge in Option 3: Plan of 355 days

cleaning service for homeowner and guests
filtered water and stand delivered to villa
twice weekly change of towels and bed linens
metered electricity charged to homeowner and guests
discounted laundry service by weight
room service from restaurant and bar
on-site chef and event planner for catered events
concierge and billing service for rentals by homeowner
in-villa spa services
airport transportation
wood treatment of furniture
information to add 3rd bathroom and maid room

In general, the Board and management of ETP have as a goal the profitable operation of Villas de Palermo Hotel and Resort and the reduction of costs of ownership for homeowners. However, neither the Board nor management offers any guarantee that such profitable operation and/or elimination of maintenance fees will occur.

There may be unpaid maintenance fees due on some villas that are listed for sale. All accrued debt must be paid in full at time of closing. Ask for the unpaid amount if you have any doubt that the existing owners will cover this cost for you. Unpaid maintenance fees and any other accrued debt are the responsibility of the owner of a villa without regard to date of purchase.

Maintenance fees cover operational, capital and other costs that are in excess of revenues generated by the hotel operation. At the current time at Villas de Palermo, the monthly maintenance fees covers: general management; housekeeping; building and infrastructure maintenance; grounds keeping, road and common property maintenance; around-the-clock security; electric power; water; pool maintenance; cable TV and Wi-Fi internet service, hotel and restaurant operations; repairs to and maintenance of individual villas; repairs to or replacement of appliances; replacement of amenities, linens and other consumable items; rental commissions; marketing; concierge services; accounting; repair of furniture as necessary, etc.

In the future, it is possible that scheduled, annual maintenance costs may be shifted from ETP to individual homeowners.

Homeowner Meeting

An annual homeowner meeting is held in the Villas de Palermo Clubhouse in November each year. Please plan to attend. This is an excellent opportunity to meet and greet fellow homeowners and to talk about individual and mutual concerns and issues for Villas de Palermo.

Guide to Ownership

Cable TV

Cable TV is available within each villa and at the bar in the clubhouse. The service is delivered through cable by Enitel from San Juan del Sur, which offers channels in English and Spanish language. Each villa is wired for TV in several locations.

Internet Access

Wi-Fi internet service is available within each Villa and the clubhouse. There are two sources of internet, to offer the best guarantee of service available for homeowners and guests planning to work during their stay at Villas de Palermo. One service is delivered through cable from Enitel from San Juan del Sur. The second service is delivered by radio link from towers in San Juan del Sur. Wireless signal is broadcast throughout Villas de Palermo using additional antennas. Each villa has a unique router, which allows the signal to be apportioned equitably among competing users. When there are few users, the surplus bandwidth is available to all. When there are many users demanding bandwidth, the service is metered equally to each villa. If a homeowner or guest requests additional bandwidth, then additional bandwidth may be contracted for a single villa on a month-by-month contract and paid for by that individual homeowner. The strength of the wireless signal is greatly reduced when it passes through steel-reinforced concrete walls so some locations in each villa have better reception than others.

A password is required to access each Wi-Fi network. The passwords may be requested from the front desk.

Communications

Homeowners receive occasional newsletters reporting on marketing events and activities at Villas de Palermo Hotel and Resort. The Board additionally sends informational emails as needed to inform homeowners about upcoming elections and financial statements. All previous board and marketing communications are available to review online.

ETP manages a website available in Spanish and English - accessible through the following URL: villasdepalermo.com

Housekeeping

Housekeeping inspection and cleaning is performed regularly in each villa. When occupied by hotel guests or owners, a housekeeping inspection is performed daily. When vacant, each villa is inspected at least weekly. Discounted monthly rates are sometimes negotiated to include less frequent housekeeping service. Since ETP is responsible for maintenance of all villas, neither guests nor homeowners may refuse access to or cleaning of their villa.

Guide to Ownership

Laundry

Laundry services are available on-site for hotel guests, resident owners and restaurant operations. Homeowners are charged a discounted rate per pound and a standard hotel schedule of charges is available for guests from the front desk.

Maintenance

Scheduled maintenance is performed on an annual calendar and ad-hoc maintenance is performed as needed. Homeowners and guests are requested to email maintenance requests to frontdesk@villasdepalermo.com or leave a list of issues with the front desk.

Gardening

Scheduled watering, pruning and landscaping maintenance is performed on an annual calendar and ad-hoc gardening is performed as needed. Homeowners and guests are requested to email gardening requests to frontdesk@villasdepalermo.com or leave a list of issues with the front desk. Homeowners requesting additional planting or replacement of trees may make requests of the general manager and may be charged for these services.

Security

24-hour security is maintained within the grounds of Villas de Palermo. Each vehicle is stopped and identified before being allowed entrance to Villas de Palermo. The security team patrols the grounds and the roads. Each guard has a radio to report any incidents to the security chief in the guard house at the front gate.

Guests visiting the restaurant or a resident of a villa will be allowed entrance without pets after a brief conversation with the guard on duty. Villas de Palermo reserves the right to deny access to anyone at any time.

Electricity

The electricity used within Villas de Palermo is delivered by DISSUR. Power is delivered to Villas de Palermo from three separate DISSUR high-voltage lines. Each line is then connected to one or more transformers serving individual sections of the property so it is possible for some Villas to be without power and others to have power.

DISSUR presents a single invoice to ETP for all power used by villas, laundry, restaurant, and any other consumer of power within the project. ETP receives discounted rates for power usage, due to the classification as a tourist operation.

Homeowners, their guests and certain long-stay hotel guests are charged metered electricity during their stay. An electric meter is located near the front door of each villa.

Guide to Ownership

At any time a person may request the meter to be read and receive an estimate of the cost of electricity used to date during a stay.

Please help us conserve water and electricity. Electricity is very expensive in Nicaragua and is usually about 20 percent of the cost of operations for Villas de Palermo. Air conditioning represents the primary use of electricity for Villas de Palermo. When you leave your villa, please turn off the A/C. The maids and security are authorized to turn off A/C in unoccupied villas.

Generators and Backup Power

Villas 1- 6, the internet, business offices, laundry, pool area, some outdoor lighting and the restaurant are connected to four generators which provide power during power disruptions. Villa 18 has a system using battery backup. In villas that are connected to backup power, lights, internet, fans and some wall sockets operate during outages. Air conditioning and the kitchen range and oven use 220-volt power and are not powered by backup units.

Water

All water used within Villas de Palermo is pumped from a well on the ranch below the Villas de Palermo property. Water is pumped to several large tanks on the hill above all the villas and is gravity-fed through sediment filters to the villas, landscaping, pool and restaurant. A single invoice is presented by Agrícola de Santa Ana to Villas de Palermo, the vendor who sells water to Villas de Palermo and all other homes in Lomas de Palermo. The water has an unusually high mineral content, which clogs faucets and disrupts the delivery of hot water. If you have erratic delivery of hot water or low water pressure, please inform the front desk and the filters in your villa will be cleaned.

Bottled water is available in the restaurant. Homeowners and guests may request in-villa delivery of a large supply of bottled water and a stand to hold the bidon. This bidon will be exchanged by hotel staff upon request.

Guide to Ownership

Next Steps for New Owners

We welcome you to the community of owners within Villas de Palermo and hope to meet you soon at your new home.

Step 1 – Introduce Yourself

Please contact board@villasdepalermo.com to introduce yourself and let us know your date of purchase of your villa.

Step 2 – Schedule Walk-through of Your Villa

Please complete the Introduction Letter, attached as Appendix A.

For owners NOT using the 365 maintenance plan, your villa is required by to be available for rental by the hotel operation, ETP. As an owner, you are required to maintain the specific furniture, appliances and fixtures in your home to support the hotel operation. If any inventory is damaged by hotel guests, the damage will be charged to hotel guests and repairs or replacement performed by ETP. Be sure assets are not removed by the previous owner – or you will be assessed for their replacement.

Please schedule a walk-through of your villa with ETP housekeeping to sign off that your villa is clean and all required articles are present after the previous owner has departed. You may be assessed a cleaning fee, if extraordinary cleaning is required to bring your villa up to standards required for inclusion in the hotel operation.

Step 3 – Schedule Financial Review and sign covenants and restrictions document

Please schedule a time to review the finances of your villa with the Board of Directors of ETP. In some cases, villas are sold with unclear expectations about operating costs, monthly maintenance fees or past-due amounts.

As outlined in this document, owners are liable to support the hotel operation when revenues are insufficient to cover costs and may share in profits from the hotel operation when revenues exceed costs.

To obtain water, electricity and other services for a villa and to use common property, the owner is required to sign and abide by the covenants and restrictions. We encourage every homeowner to contribute their good ideas to the group of homeowners that maintain the policies enforced within our community.

Guide to Ownership

Frequently asked Questions

Some of the common questions we are asked by prospective buyers are:

- We understand that Villas de Palermo was established under Nicaraguan Law 306, intended to give tax breaks to developers and operators of tourist infrastructure in Nicaragua. When did the 10-year 306 tax “clock” start? How much longer Villas de Palermo have to benefit from the 306 tax breaks?

The Villas de Palermo development started the Law 306 “clock” on October 23, 2007 and as the law is currently written; all tax benefits for Villas de Palermo associated with Law 306 expire October 23, 2017. Current paperwork states that ETP has the benefits of Law 306. Original homeowners have to date not been assessed annual property taxes. Usually taxes are assessed when a villa is sold to a new owner. This waiver of property tax has been at the discretion of the San Juan del Sur Alcaldia and may or may not continue into the future.

- If there are damages caused by a renter, how are they taken care of and who pays for repairs?

The policy is to charge renter-caused damages to the renter. The hotel takes a credit card imprint that can be used to charge damages to the renter and to the extent possible, the hotel makes these charges as a matter of course. The owner will be held financially liable if the renter is introduced by the homeowner and refuses to pay for damage to the villa.

- What is the % split between owner and hotel/resort?

All expenses and all income are pooled. All expenses and income are distributed across the villas.

Empresa Turistica del Pacifico, SA (ETP), the operating company, operates the hotel and maintains the property on behalf of the homeowners. The members of the Board of Directors of ETP are homeowners who are elected by the homeowners (one vote per Villa).

The Board makes financial decisions on behalf of the homeowners and oversees the operation under the direction of the General Manager.

To the extent that the operation produces revenues in excess of total costs, the Board decides how much money is used to defray monthly dues, how much might be distributed, how much retained for reserve and so on. The Board is acutely sensitive to the input of homeowners.

- Is the rental income pooled across all units?

Guide to Ownership

Yes.

- Who covers the cost of marketing for rentals? Owners or the management company?

Marketing costs are included in the expenses of the operating company, ETP. The marketed product is: "Villas de Palermo Hotel and Resort in San Juan del Sur, Nicaragua", the branding of the hotel operation.

Individual homeowners may market and rent their individual units using the description: "Home in Lomas de Palermo in San Juan del Sur, Nicaragua".

- What do maintenance fees paid by homeowners cover? Do they include insurance?

Maintenance fees cover operational, capital and other costs that are in excess of revenues generated by the hotel operation. At the current time at Villas de Palermo, the monthly maintenance fees cover: general management; housekeeping; building and infrastructure maintenance; grounds keeping, road and common property maintenance; around-the-clock security; electric power; water; pool maintenance; cable TV and WI-FI internet service, hotel and restaurant operations; repairs to and maintenance of individual villas; repairs to or replacement of appliances; replacement of amenities, linens and other consumable items; rental commissions; marketing; concierge services; accounting; repair of furniture as necessary, etc.

The fees include property and liability insurance on common property, basic individual homeowner and liability insurance on individual villas, but not title insurance on individual villas.

The decision to purchase additional insurance of any kind is up to individual homeowners.

- Is there generator to supply power in the case of an outage? If so, to what extent does it cover during blackouts?

Villas 1- 6, the internet, business offices, laundry, pool area, some outdoor lighting and the restaurant are connected to four generators which provide power during power disruptions. In villas that are connected to backup power, lights, internet, fans and some wall sockets operate during outages. Air conditioning and the kitchen range and oven use 220-volt power and are not powered by backup units.

- Rules regarding use by owners (how many months per year, and how many years until the owners can enjoy year-round occupancy)?

Guide to Ownership

Law 306 paperwork offers benefits to the Nicaraguan company ETP. Please solicit legal advice for how this law may affect individual ownership of a villa in Villas de Palermo.

- [When is the hotel operation going to make money?](#)

We track the ups and downs of Nicaragua and San Juan del Sur along with the other high-end hotels. In some holiday seasons we are full and profitable, and in rainy seasons we are nearly empty and don't collect enough revenues to cover costs.

We are unable to predict when our local economy will change or when the hotel operation might consistently produce revenues in excess of costs.

Guide to Ownership

Appendix A – Introduction Letter and Walk-through

Villa Number: _____

Owner Name: _____

Legal Entity and/or names of persons who are legal owners of your villa. All owners are 100% responsible for all actions and all debts for Villa, regardless of legal ownership of unit.

Additional Family Members: _____

Family members to be recognized as visitors with full permission of owners.

Physical Address of Owner: _____

Address of place of business or residence of owners.

Email address: _____

Email address(es) to receive board communications, newsletters and invoices.

Confirmation of Contents of Villa:

Date and time of walk-through: _____

For owners NOT using the 365 maintenance plan, your villa is required by to be available for rental by the hotel operation, ETP. As an owner, you are required to maintain the required physical inventory in your home to support the hotel operation. If any inventory is damaged by hotel guests, the damage will be charged to hotel guests and repairs or replacement performed by ETP. Housekeeping maintains the official inventory list, but a general list follows so you can be sure the following assets are not removed by the previous owner – or you will be assessed for their replacement.

Living room – two couches or couch and two large chairs, coffee table, dining table and two chairs, audio cabinet with TV and DVD players with remotes and speakers. Floor lamp and art. two rocking chairs and end table on porch. Curtains.

Upstairs bedroom – one queen bed, desk with desk chair and lamp, side table, two end tables with lamps, low bench. Two director’s chairs and end table on balcony. Bed linen and bathroom towels. Art, curtains and wood blinds.

Downstairs bedroom - one queen bed or two twin beds, side table, two end tables with lamps, low bench. Bed linen and bathroom towels. Art, curtains and wood blinds.

Kitchen – Wall thermostat, kitchen table, bench, 2 chairs, full service for 4, including plates, glasses and silverware. Cooking pots, pans and implements. Toaster, coffee maker, microwave and Art.

Guide to Ownership

Please schedule a walk-through of your villa with ETP to sign off that your villa is clean and all required articles are present after the previous owner has departed. You may be assessed a cleaning fee, if extraordinary cleaning is required to bring your villa up to standards required for inclusion in the hotel operation.

Financial review and signing of covenants and restrictions:

Date and time of financial review: _____

For owners NOT using the 365 maintenance plan, your villa is required by to be available for rental by the hotel operation, ETP. As outlined in the attached covenants and restrictions document, owners are liable to support the hotel operation when income is insufficient to cover costs and may share in profits from the hotel operation in later years.

To obtain water and electricity in a villa, the owner is required to sign and abide by the covenants and restrictions. We encourage every homeowner to contribute their good ideas to the group of homeowners who maintains the policies enforced within our community.