



Important Newsletter Update

As your management company, Grand Pacific Resort Management (GPRM) constantly evaluates cost vs. benefit of offerings and deliverables for our homeowners. To that end, we took a close look at our Resort Newsletters, and focused on the value proposition of a quarterly newsletter vs. a bi-annual newsletter, with email updates as needed. We also conducted a survey of our owners regarding the newsletters, frequency, and benefits.

We came up with a new Newsletter program that incorporates your ideas, and which is in sync with our Going Green initiative, reduces costs, and continues to provide important and timely information to you about your resort ownership:

- Beginning in 2011 you will receive two full resort newsletters per year, via either U.S. Mail or email (your choice), plus updates via email as needed. If you haven't already provided us with your email address, please do so! You may opt-in to receive

(Continued on page 2)

Your Reserve Funds At Work

Management is truly excited to share all of the amazing things in the works at RiverPointe. Over the winter we completed the renovations for our 34 units on property. This included new coffee tables, end tables, lighting and a larger more comfortable arm chair in the living room. The paint scheme was also changed and custom artwork was added in the bedrooms and living rooms.

As the remainder of the cottages returned from winter storage, these upgrades were completed as well as installing all new blinds throughout the units. You will also notice that each of

the exterior decks now has outdoor carpet and many will soon also receive new patio furniture.

Management has made numerous improvements around the exterior of the property. A fresh new "RiverPointe" sign will be the first thing you notice along with the new landscaping in the center planters at the entrance.

Thanks to the purchasing power of Grand Pacific Resorts, we have been able to provide top-quality products at the lowest possible costs. As always, we look forward to your thoughts on these improvements and your suggestions on what you would like to see in the future.



Growing Napa

In addition to all of the wonderful things offered here at the resort, we know that you purchased at RiverPointe with Napa's bright future in mind. As Downtown Napa, the River Front Project and the "Oxbow Market Place" continue to expand, we are very excited to see the area around RiverPointe flourish with the elite retail and dining establishments Napa has been striving to attract. Celebrity chefs such as Masaharu Morimoto of "Iron Chef" and Tyler Florence of the Food Network have already set up shop.

(Continued on page 2)

Growing Napa (Continued from page 1)

In addition, The Food Network is also in negotiations to take over the "Copia" building as well. All of this is popping up mere blocks from your Napa home-away-from-home.

With Napa's stunning summer evenings on their way, make sure you call the resort to book your week for a little "Bonus Time" getaway and take advantage of your ownership in one of the country's most sought after culinary destinations. 707 252 4200.

Important Newsletter Update (Continued from page 1)

the electronic version of your newsletter by visiting your Resort website at www.riverpointeresort.com and click on the Newsletter Sign up area.

- Our Resort budget will benefit from lower printing and postage costs.
- For quick and timely information, we encourage you to visit your Resort website www.riverpointeresort.com or contact your Owner Services Team at 888-477-6967.

We welcome the opportunity to keep you fully informed about your resort ownership, while at the same time saving money and protecting the environment.



New Assistant General Manager

We are very excited to formally welcome Jennifer Morris to the California Vacation Club family as the new Assistant General Manager. Jen has worked her way up through the ranks of Grand Pacific Resorts. She began her career at the front desk at Southern California Beach nearly 14 years ago. Before joining the resort in February, Jen was the Front Office Manager and Activities Director at Grand Pacific Palisades Resort, our flagship property in Carlsbad. Jen's energy is contagious and we are excited and fortunate to have her as part of the leadership team.



Jennifer Morris, Assistant General Manager

We'll call you for Bonus Time!

In order to accommodate our many Owners who enjoy using Bonus Time, just let us know and we will add you to our new **BONUS TIME LAST MINUTE GETAWAY LIST**. If you are on our list, we will call you every time Bonus Time becomes available. This is a great way to enjoy a weekend away and try out other unit types than the one you own!

What is Bonus Time? Bonus Time refers to additional nights at a discounted rate that an Owner can reserve. It is most desirable to Owners that like to stay for the weekend and can make a reservation at the last minute. Bonus Time reservations can be made beginning (and no earlier than) 21 days prior to the desired arrival date. Bonus Time guests are not guaranteed the unit type or the building/view they purchased. These are "extra" benefits and are subject to availability.

Bonus Time nightly rates are:

- STUDIO - \$66
- ONE BEDROOM - \$78
- TWO BEDROOMS - \$96
- TWO BEDROOM DLX - \$112

Please call us at 707-252-4200 to have your name added to our **BONUS TIME LAST MINUTE GETAWAY LIST!**

Employee Of the Year

California Vacation Club and RiverPointe Napa Valley are committed to always providing exemplary service. We are blessed to have a team who has truly embraced Grand Pacific Resorts service culture. Staff members are reaching out to exceed owner expectations. For example, Efrain Lopez went out of his way to drive to the San Francisco airport to deliver a guest's passport that was left at the resort so they did not miss their flight.

For this and numerous other reasons, Efrain was named our 2010 Employee of the Year. Claire Ferrari was named our Employee of the 1st Quarter for 2011 for her dedication to promoting excellent customer service and her passion for making great vacations at the resort.



Board of Directors' Meeting Highlights

January 18, 2011

Vice President Mary Dieckmann called the meeting to order at 10am. Board members in attendance were Mary Dieckmann, Doreen Bechard, Janelle Brown and Hank Cairo. Donald Wudtke was unable to attend. Representing Management were Patrick Fernane, Regional Director of Resort Operations; Jay Anderson, Area Manager and James Tennerly, Resort Manager. Hayley Hughes took the minutes. *The following actions took place:*

- The Board approved the minutes of the September 14, 2010 Board of Directors' Meeting.
- An overview of front desk operations, housekeeping, maintenance, landscaping, activities and fiscal performance was presented.
- The Board reviewed the Assessment Resolution Agreement update provided by Management.
- The meeting was adjourned at 10:25am.

April 19, 2011

Vice President Mary Dieckmann called the meeting to order at 10am. Board members in attendance were Mary Dieckmann, Doreen Bechard, Janelle Brown and Hank Cairo. Donald Wudtke was unable to attend. Representing Management were Patrick

Fernane, Regional Director of Resort Operations; Jay Anderson, Area Manager and James Tennerly, Resort Manager. Hayley Hughes took the minutes. *The following actions took place:*

- The Board approved the minutes of the January 18, 2011 Board of Directors' Meeting.
- An overview of front desk operations, housekeeping, maintenance, landscaping, activities and fiscal performance was presented.
- The Board approved moving ahead with the foreclosure of the recommended 616,500 delinquent points.
- A Record Date of May 31st was established for voting eligibility for California Vacation Club Annual Owners Meeting.
- The meeting was adjourned at 10:25am.

Confirmation of Meeting Dates

- Tuesday, July 19, 2011 at 3:00 pm, RiverPointe
- Tuesday, July 19, 2011 at 4:00 pm, Annual Owners Meeting, RPT
- Tuesday, September 13, 2011 at 10:00 am, RiverPointe
- Tuesday, January 17, 2012 at 10:00 am, RiverPointe
- Tuesday, March 17, 2012 at 10:00 am, RiverPointe

Note: Owners are welcome to attend any regular Board meeting. Board meeting agendas are posted at the resort four days prior to the meeting. If you would like a copy of the final agenda for any Board meeting mailed to you, please contact your Resort Manager prior to the meeting. Since meeting times and location are subject to change, please contact your Resort Manager in advance to reconfirm the exact time and location. If you wish to have a copy of the Minutes for your records, please send your request along with a (\$.63) stamped self-addressed envelope to Grand Pacific Resort Services, L.P., 5900 Pasteur Court, Suite 200, Carlsbad, CA 92008, Attn: Lois Sklar.

Exchange Tips From Owner Services



As an Owner at California Vacation Club, one of your use options is to exchange your week with the exchange company of your choice. This allows you to access a wide variety of exciting vacation destinations!

If exchanging your week at California Vacation Club is part of your vacation plans, here are some quick, easy steps to get you started:

- Secure your week at your Home Resort.
- Each exchange company has different rules outlining the timeline in which you can deposit your week and the cutoff date that they will accept deposits. If you are unsure of your ownership type and the timeline for exchange, we will be happy to guide you through that process. You can contact Owner Services for more information.
- You can contact the exchange company of your choice to deposit your week either by phone or on line.



Don't forget that planning your vacation can be as much fun as getting there! Here are some general tips to think about:



- Focus on the vacation experience as well as the destination when exchanging. Think "what" before "where." With so many resorts in so many places and units and destinations not always available at all times, think about activities and experiences you would enjoy during your vacation.
- Take advantage of your vacation exchange representatives to assist you in finding the perfect destination.
- Advance planning pays off. Place your request as far as possible in advance of the dates you want to travel to maximize your chances of securing the vacation of your dreams.
- Be as flexible as possible when requesting travel dates and resort locations. Listing several options enhances your chance for a quick confirmation.
- Consider a trip in the off-season or visit a lesser known destination that offers a similar vacation experience.
- Remember that resorts may have more small units than large ones. If you are willing to accept a unit that accommodates the number of people traveling, regardless of the size of the unit you are relinquishing, you enhance your exchange opportunities.



For questions or help with your exchange, here is the contact information for our most popular exchange companies:

Grand Pacific Exchange (GPX): 866-325-6295 / www.gpxvacations.com

Interval International (II): 800-282-8200 / www.intervalworld.com

And don't forget, if you have any questions regarding your ownership or the exchange process, your Grand Pacific Resorts Owner Services staff is always here to help at 888-477-6967.



Have You Moved Recently?

Don't forget to notify us with your new address and contact information! Call Owner Services at **888-477-6967** or log on to www.grandpacificresorts.com/owners/address.aspx

Do We Have Your Current Email Address?

What is the fastest way of communicating with each other in this day and age? Email. Grand Pacific Resorts Management needs your email address; in fact you may have already received a call from resort staff asking for yours. We'd love to be able to contact you instantly with exciting news about your resort, our yearly Owner Survey, special offers and newsletters.

Not only is email an excellent way for you to stay in touch with the resort staff regarding your reservations and with questions about availability, it also saves you and the association money in telephone and postage expenses. Please take the time to call **760-342-1485** or simply email frontdesk@riverpointenapa.com to let us know your current email address.



Vacation Ownership RCI Weeks 101 Class

Brought to you by Owner Services and RCI

Come and learn how to make the most of your ownership at your home resort. These complimentary classes fill up quickly and reservations are required. Please call Owner Services at 888-477-6967 to reserve your attendance and verify date, place and times.

[RCI Weeks 101 Class Schedule](#)

No Classes in July, August 13th
September 17th, October 8th

All classes are on a Saturday and start at 10am.



Try Bonus Time... For Business Travel

Congratulations Ashley Yoder, Our Business Travel Ambassador and recipient of a Free 7 Night Vacation!

For Ashley Yoder, ResorTime.com's **Bonus Time Network**® Reservation Center has expanded her benefits of timeshare ownership well beyond luxury vacations.

Using the **Bonus Time Network** Reservation Center for all her business travel, Ashley has saved thousands of dollars staying in centrally located, amenity-rich timeshare properties. Who knew that timeshare rentals would be such an ideal and convenient way to eat in, sprawl out and unwind at the end of a long business day?

Ashley has been traveling on business so much she hasn't taken a real vacation in 10 years! Find us at **facebook.com/ResorTime** to share your favorite vacation idea for Ashley. If Ashley selects your vacation idea, you too will **WIN A FREE 7 NIGHT VACATION!**

32 Business Trips in 2010 Alone!

MEMBER: Ms. Ashley Yoder
LOCATED IN: Burbank, CA
OWNS AT: Grand Pacific Palisades
LOYAL MEMBER SINCE: 2009
USES THE BONUS TIME NETWORK RESERVATION CENTER FOR: Business Travel

"I always deal directly with Ruth in the GPR Bonus Time Network Reservation Center...Whether I'm going to Vegas or Chicago, ResorTime.com is always there to book the best in business travel!"

Friend us on Facebook, and be first in line for our latest contests, promotions and giveaways. Or become one of our Bonus Time Ambassadors by sharing your travel advice and experience with others!

2 WAYS TO BOOK Nightly Bonus Time Rentals

1. Online: **www.ResorTime.com/GPR**
2. Call: **877-879-6805**

Bonus Time Network is a registered service mark of ResorTime.com L.P., a California limited liability partnership.

Banking Too Many Weeks? Try Renting!

Use your existing banked weeks to find your dream vacation and consider renting your future weeks through the GPR Owner Rental Department.

Rental Program Benefits:

- No upfront fees
- Receive payment two weeks after your checkout date.
- Set it and forget it! Opt-in to have your week banked with GPX if it doesn't rent. Exchange your week later for only \$99!

Listing your week for rent is easy! Simply confirm your reservation dates and submit a rental agreement online. We'll do the rest.

Visit **www.gpresorts.com/rentmyweek** for details or call **800-831-3027** to speak to an agent today.



GPX Launches New Interactive Website

On March 2, 2011 GPX launched a brand new interactive website! **EXCLUSIVE** to GPR Owners, this site allows them to deposit, search and exchange 24/7, all online.

Meet Our First Owner to Exchange Using GPX's New Interactive Website!

OWNER: Gary Copeland
LOCATED IN: Tucson, AZ
OWNS AT: Mountain Retreat (2 weeks)
GPX MEMBER SINCE: March 2011
USES GPX FOR: Timeshare Exchanges

"I found the GPX website easy and painless, user friendly and very straightforward. The menu-driven search feature allowed me to narrow down my destination and travel dates. I appreciate the fact that GPX does not charge membership fees."

3 EASY STEPS To Register Your Ownership TODAY!

1. Visit **www.gpxvacations.com/login.html**
2. Complete your Free Registration
3. Receive your user name and password and start searching!

For Assistance call 866-325-6295
Hours: Mon-Fri: 8am-6pm/Sat: 8am-4pm

Calendar of Local Events

July 14-24

Festival del Sole

Festival features concerts by some of the world's most celebrated musical artists, five-star cuisine, art exhibits, and wines from Napa's top vintners, blended in a unique celebration of the art of life. Napa Valley. 888-FDS-NAPA

August 3-21

Music in the Vineyards

A nationally-acclaimed chamber music festival showcasing world-class artists-in-residence performing new and classic chamber music repertoire in stunning winery settings. 707-258-5559

August 5

Napa Wine Train Murder Mystery Dinner

A Murder Mystery play centering on the clandestine world of the gum shoe. Come prepared to mix and mingle, dress the part, or just get down to business and solve the murder. 5:30pm - 9:30pm, 1275 McKinstry Street, Napa. \$145 per person. 800-427-4124

August 10-14

Napa Town & Country Fair

A celebration of community, it's people, it's agriculture and it's talents. Enjoy good food, exciting exhibits, entertainment, carnival rides, Jr. livestock show and auction. 12 pm - 10pm, Napa Valley Expo, 575 3rd St., Napa. \$13 Adults/\$10 Seniors 60+ and Juniors 6-12/5 and under Free. 707-253-4900

August 20

Napa Valley Art Festival

The festival is a juried exhibit and sale of over 300 original paintings by 30 of the West's premier representational artists. 10am - 4pm, 6516 Washington St., Yountville. 707-256-3828

August 27

Harvest STOMP

The "MUST ATTEND" harvest party of the year! Enjoy an authentic grape grower harvest celebration at one of Napa's premier vineyard locations featuring exceptional wines, live music, and an array of exhibition-style food from all over the world. 5pm-10pm, Historic Missouri Hopper Vineyard, Oakville. 707-944-8311

**Event dates and times are subject to change.*

California Vacation Club at RiverPointe Napa Valley

500 Lincoln Avenue
Napa, CA 94588
707-252-4200

www.RiverPointeResort.com

Owner Services

5900 Pasteur Ct., Ste. 200
Carlsbad, CA 92008
888-477-6967

**International Owners 760-827-4100*

Grand Pacific Resort Management

5900 Pasteur Ct., Ste. 200
Carlsbad, CA 92008
760-431-8500

Assessment, Billing & Collection

800-234-6222

ResorTime.com

Your Bonus Time
Network Reservation Center
877-879-6805

ResorTime.com/GPR

RETURN SERVICE REQUESTED

Grand Pacific Resort Services, L.P.
5900 Pasteur Court, Ste. 200
Carlsbad, CA 92008

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California
VACATION CLUB





California
VACATION CLUB

500 Lincoln Avenue, Napa, CA 94558

Financial Statements

December 31, 2010

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PKF

Accountants and
business advisers



Independent Accountant's Review Report

The Board of Directors and Owners California Vacation Club

We have reviewed the accompanying statement of assets, liabilities and fund balance (deficit) of California Vacation Club ("Club") as of December 31, 2010, and the related statements of revenues and expenses and changes in fund balance (deficit), and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquires of Club management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 certain conditions indicate that the California Vacation Club may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments to the financial statements that might be necessary should the Club be unable to continue as a going concern.

The supplementary information about future major repairs and replacements on Page 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

PKF
Certified Public Accountants
A Professional Corporation

May 31, 2011



California VACATION CLUB

Statement of Assets, Liabilities and Fund Balance (Deficit)

December 31, 2010

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$339,104	\$195,601	\$534,705
Assessments and other receivables	2,059,952	322,080	2,382,032
Prepaid expenses	93,142	-	93,142
Outside inventory	400,875	-	400,875
Property and equipment under capital lease (net of \$24,045 accumulated depreciation)	18,387	-	18,387
Due from (to) other fund	<u>(100,245)</u>	<u>100,245</u>	<u>-</u>
Total assets	<u>\$2,811,215</u>	<u>\$617,926</u>	<u>\$3,429,141</u>
Liabilities and Fund Balance (Deficit)			
Accounts payable and accrued liabilities	\$99,319	\$ -	\$99,319
Due to related parties	68,020	256	68,276
Outside inventory assessments	320,049	-	320,049
Deferred assessments	2,714,461	436,910	3,151,371
Capital lease payable	<u>23,185</u>	<u>-</u>	<u>23,185</u>
Total liabilities	3,225,034	437,166	3,662,200
Fund balance (deficit)	<u>(413,819)</u>	<u>180,760</u>	<u>(233,059)</u>
Total liabilities and fund balance (deficit)	<u>\$2,811,215</u>	<u>\$617,926</u>	<u>\$3,429,141</u>



California VACATION CLUB

Statement of Revenues and Expenses and Changes in Fund Balance (Deficit)

Year Ended December 31, 2010

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues			
Assessments	\$3,216,458	\$391,241	\$3,607,699
Interest	1,816	1,834	3,650
Front desk and other income	<u>495,130</u>	<u>-</u>	<u>495,130</u>
Total revenues	<u>3,713,404</u>	<u>393,075</u>	<u>4,106,479</u>
Expenses			
Front office	273,403	-	273,403
Housekeeping	372,876	-	372,876
Owner relations/guest activities	94,496	-	94,496
Administration/sales	409,444	4,026	413,470
Repairs, replacement and maintenance	561,657	384,621	946,278
Telephone and utilities	218,725	-	218,725
Fixed expenses	1,053,373	57,728	1,111,101
Provision for income taxes	1,248	-	1,248
Provision for doubtful accounts	<u>525,976</u>	<u>71,405</u>	<u>597,381</u>
Total expenses	<u>3,511,198</u>	<u>517,780</u>	<u>4,028,978</u>
Excess (deficiency) of revenues over expenses	202,206	(124,705)	77,501
Fund balance (deficit), beginning of year	<u>(616,025)</u>	<u>305,465</u>	<u>(310,560)</u>
Fund balance (deficit), end of year	<u>\$ (413,819)</u>	<u>\$ 180,760</u>	<u>\$ (233,059)</u>

See accompanying notes and independent accountant's review report



California VACATION CLUB

Statement of Cash Flows

Year Ended December 31, 2010

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$202,206	\$(124,705)	\$77,501
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities			
Depreciation	8,487	-	8,487
(Increase) decrease in operating assets			
<i>Assessments and other receivables</i>	508,780	(22,668)	486,112
<i>Prepaid expenses</i>	19,019	-	19,019
<i>Outside inventory</i>	(67,730)	-	(67,730)
<i>Due from (to) other fund</i>	(5,510)	5,510	-
Increase (decrease) in operating liabilities			
<i>Accounts payable and accrued liabilities</i>	(132,704)	-	(132,704)
<i>Due to related parties</i>	4,311	256	4,567
<i>Outside inventory assessments</i>	10,120	-	10,120
<i>Deferred assessments</i>	(462,844)	46,448	(416,396)
Net cash provided by (used in) operating activities	<u>84,135</u>	<u>(95,159)</u>	<u>(11,024)</u>
Net cash used in financing activities			
Payments on capital lease	<u>(7,998)</u>	<u>-</u>	<u>(7,998)</u>
Net increase (decrease) in cash and cash equivalents	76,137	(95,159)	(19,022)
Cash and cash equivalents - beginning of year	<u>262,967</u>	<u>290,760</u>	<u>553,727</u>
Cash and cash equivalents - end of year	<u>\$339,104</u>	<u>\$195,601</u>	<u>\$534,705</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest			<u>\$3,561</u>
Income taxes			<u>\$1,707</u>

See accompanying notes and independent accountant's review report

Notes to the Financial Statements

December 31, 2010

Note 1 – Association and membership

California Vacation Club (the Club) was incorporated on March 2, 1998 as a California nonprofit mutual benefit corporation with the specific and primary purpose of promoting the interests and welfare of the members of right-to-use vacation intervals in the vacation project known as Riverpointe Napa Valley situated in Napa, California.

In accordance with the lease agreement dated April 8, 1998 entered into between the Club and Interval Resorts I, LLC (the Developer) (see note 3), a California limited liability company, the Club leases certain real property, dwelling units, furniture and fixtures from the Developer. In 2007, the Developer's lender, Textron Financial Corp ("Textron"), foreclosed against the Developer's assets for failure to pay its debt obligations. Subsequently, Textron entered into an agreement with CV Holdings Group (CVHG), whereby CVHG assumes the rights and responsibilities as the Developer of the project. The Club shall bear the cost of operating and maintaining these leased properties. Upon expiration of the lease on December 31, 2035 or earlier termination of the lease as defined in the agreement, all properties shall be returned to the Developer. In addition, the Developer has vacation interval interests at several other properties situated in Indio, South Lake Tahoe and San Diego, California. Members' rights to use these properties results from the purchase of vacation interval memberships from the Club and Developer.

Vacation memberships are represented by points. 4,500 points are the minimum required to be held to constitute a membership. The Club is comprised of Class A memberships for the vacation interval members and Class B memberships for vacation intervals still owned by the project's developer. Voting and use rights are determined by the number of points purchased. There is one vote for every 4,500 points owned.

In accordance with the Club's by-laws, each vacation interval owner is subject to basic, special and personal charge assessments by the Club.

Note 2 – Summary of significant accounting policies

Basis of accounting

The financial statements of the Club have been prepared on the accrual basis of accounting. Accordingly, all significant receivables, revenues and gains are recognized when earned and expenses, liabilities and losses are recognized when incurred.

Fund accounting

The Club uses fund accounting, which requires that funds, such as operating funds and replacement funds be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and Club management. Disbursements from the replacement fund generally may be made only for designated purposes.

Cash equivalents

The Club considers all highly liquid temporary investments with original maturities generally of three months or less when purchased to be cash equivalents. Cash equivalents include investments in money market funds held with a brokerage firm.

Concentration of credit risk

The Association's interest bearing deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 through December 31, 2012. At December 31, 2010, the Association has balances in excess of insured amounts. The Association also maintains money market accounts with a brokerage firm that does not participate in FDIC or SIPC insurance programs. Therefore, all money market accounts are uninsured. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to significant credit risk relating to cash or money market accounts.

Assessments and deferred assessments

For the year ended December 31, 2010, each vacation interval member was generally assessed \$476 for 4,500 points, \$710 for 9,000 points, \$857 for 13,500 points, \$957 for 18,000 points, \$1,045 for 22,500 points, and \$1,169 for 27,000 points, inclusive of the replacement fund assessment.

The 2011 annual assessments are \$489 for 4,500 points, \$733 for 9,000 points, \$883 for 13,500 points, \$989 for 18,000 points, \$1,079 for 36,000 points, and \$1,211 for 45,000 points, inclusive of replacement fund assessment, and are included in deferred assessments until earned.

Allowance for doubtful accounts

Assessments receivable at December 31, 2010 consist principally of advance assessment billings for the year ending December 31, 2011. Accordingly, an allowance for doubtful accounts has not been established as of December 31, 2010.

All assessments are due and payable within ten days after the interval owner is billed. Interest, at rates determined by the Board, is charged on delinquent assessments. The Club may suspend rights and privileges of interval owners with delinquent assessments as defined in the by-laws. The Club's policy is to write-off all unpaid assessment receivables after all efforts to collect have been exhausted. Subsequent collection is recognized as bad debt recovery in the year received, which is netted with the provision for doubtful accounts on the statement of revenues, expenses and changes in fund balance (deficit).

Property and equipment

Generally, ownership of real and personal property, including common areas and common furnishings, is vested in the Developer, and those assets are not titled in the Club's name. As a result, property and equipment, except equipment under capital lease, are not presented in the Club's financial statements.

Replacement fund assessments

The Club has designated certain amounts as replacement funds to provide for the payment of future repair and rehabilitation expenditures, as specifically approved by the Club's Board of Directors. The Club's replacement fund program is subject to a reserve analysis study. The most recent study conducted in 2010 was prepared by Hughes Reserves, who specialize in the preparation of reserve studies. The preparation of the reserve analysis is based upon certain assumptions in regards to existing reserve fund balances, inflation and investment rate factors, the estimated life span and the current cost of the reserve items. Furthermore, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Based on the study and the estimates contained in the underlying report, Club management believes that the existing replacement funding program together with the future business plan is adequate to meet future repair and rehabilitation expenditures. Should such funds not be adequate, or if additional funds are needed, the Club has the right, subject to certain limitations, to increase the annual assessments, pass special assessments, or delay the expenditures until funds are available.

Presentation of certain taxes

The Club collects various taxes, generally occupancy taxes, and remits these amounts to applicable taxing authorities. The Club's accounting policy is to exclude these taxes from revenues and expenses.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported as assets, liabilities, revenues, expenses and related disclosures. Actual results could differ from these estimates.

Subsequent events

Subsequent events are events or transactions that occur after the statement of assets, liabilities and fund balance date but before the financial statements are available to be issued. The Club evaluates all subsequent events and transactions to determine whether any transaction needs to be recognized or disclosed. The Club has evaluated all subsequent events through May 31, 2011, which is the date the financial statements are available to be issued, and has determined no events or transactions need to be recognized or disclosed in these financial statements, except as disclosed in Note 2 (replacement fund assessments).

Note 3 – Related parties

Developer

CVHG rents a sales model unit from the Club for sales and marketing purposes. As of December 31, 2010, a receivable and a bad debt allowance has not been recorded for charges related to the sales model unit because the Club has determined the charges may not be collectible and revenue will be recorded when cash is received. No cash has been received and as such no revenue has been recognized for the year ended December 31, 2010.

As part of management's plan to reduce expenses, the Club entered into an Inventory and Assessment Resolution Agreement with CVHG and Textron to reduce the number outside interval interests the Club owns. The Club has been able to convey interval interests back to certain outside interval entities and will not pay for those interval interests in 2011. As a result, the Club and Textron contributed 4,605,750 and 3,467,250 points, respectively, which will be retired from availability and not be re-sold or transferred by the Club.

CVHG was also obligated to pay for the assessments on vacation points that it owns and pay expenses associated with the Clubhouse and maintenance building. Because the collection of the assessments and expenses is not reasonably assured, the Club recognizes the assessment revenue from CVHG as they are received. In 2010, the Club received and recognized \$282,031 from CVHG, inclusive of the \$180,000 received related to the Inventory and Assessment Resolution Agreement.

Management fee

Effective April 1, 2000, the Club is operated under a management agreement with a professional property management company, Grand Pacific Resort Services, L.P., (GPRS), a California limited partnership. Effective November 1, 2003, the agreement is automatically renewable for successive two-year periods, unless terminated in accordance with the management agreement. The Club's management fee budget is within guidelines established by the California Department of Real Estate. Management fees under this agreement were \$269,795 for the year ended December 31, 2010, of which \$234,829 is allocated as fixed expenses under the operating fund and \$34,966 is allocated as repairs, replacements and maintenance under the replacement fund.

In addition, the Club shall compensate GPRS and other affiliated companies for other services provided, including but not limited to assessment billing and collection, accounting and computer services, file and reservation system maintenance and owner relations service. The Club also reimburses GPRS for any out of pocket expenses paid. At December 31, 2010, the Club owes GPRS and other affiliated companies \$68,276 for services provided. In addition, the Club owes \$250,400 in 2011 outside inventory assessments payable to Indian Palms Vacation Club managed by GPRS.

Note 4 – Income taxes

For federal tax purposes, the Club is taxed under Internal Revenue Code Section 528 as an exempt organization. The Club is taxed on its non-exempt income less expenses directly connected with the production of the non-exempt income. Exempt function income is not subject to tax. Income tax is calculated at 32% of taxable income. For state tax purposes, the Club is organized as a non-exempt membership organization and is taxed on its excess nonmember income (principally interest and usage by nonmembers) at the normal corporate tax rates.

State income taxes for 2010 totaled \$1,248. There were no federal income taxes for 2010.

Uncertain tax position

The Association is required to identify and evaluate all uncertain tax positions to determine whether it is more-likely-than-not that an uncertain tax position will not be sustained upon examination for all open tax years. At December 31, 2010, the Association is not aware of any uncertain tax positions that are more-likely-than-not to not be sustained. The Association is no longer subject to U.S. federal or California income tax examinations by tax authorities for years before 2007 and 2006, respectively.

Note 5 – Going concern

As shown in the 2010 financial statements, the Club has incurred an operating fund deficit of \$413,819, has an operating cash balance of only \$339,104 and the Club has spent \$361,063 of the 2011 assessments billed and collected in advance. These factors create an uncertainty regarding the Club's ability to continue as a going concern. Management's plan is to reduce expenses and services to maintain positive cash flow and is working on an operating deficit subsidy plan with CVHG (Note 3). The ability of the Club to continue as a going concern is dependant on the successes of management's plan, which cannot be guaranteed. The financial statements do not include any adjustments that might be necessary should the Club be unable to continue as a going concern.

Note 6 – Capital lease

The Club entered into a capital lease for telephone and internet equipment valued at \$42,432. Payments are to be made in 60 monthly installments of \$963.

The assets and liabilities under the capital lease are recorded at the fair value of the asset. The assets are depreciated using the straight-line method over the asset's estimated useful life. Depreciation expense under this capital lease, included in fixed expenses was \$8,487 for the year ended December 31, 2010.

Future minimum lease payments under capital lease agreement, together with the present value of the net minimum lease payments as of December 31, 2010, are as follows:

Year Ending December 31

2011	\$11,560
2012	11,560
2013	<u>3,852</u>
Total minimum lease payments	26,972
Less: amount representing interest	<u>(3,788)</u>
Present value of net minimum lease payments	<u>\$23,184</u>

Note 7 – Commitment

The Club has a commitment to purchase outside inventory from an unrelated property for usage in 2011. The Club does not intend to use the intervals and has not and does not intend to pay \$142,965 in related assessments. As a result, Club has not recorded the outside inventory and related obligations in the 2010 financial statements. The Club is negotiating an agreement to sell the intervals to an unrelated party and relieve the Club of its obligations.

Supplementary Information on Future Major Repairs and Replacements

December 31, 2010 (Unaudited)

Hughes Reserves conducted a study in 2010 to estimate the remaining useful lives and the replacement costs of the components of common property subject to future repairs and replacements. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study, the date that the components will require repair or replacement or the costs incurred since the date of the study. During 2010, the Association incurred repairs and replacements totaling \$384,621.

The following table is based on the 2010 study and presents a condensed summary of information about the items of property. Estimated current replacement costs are based on the assumptions that inflation rate and interest rate are 3% and 2%, respectively.

Components*	Estimated Remaining Life in Years	Estimated Current Replacement Costs	Recommended 2010 Funding Requirement
Buildings	0-18	\$5,290,883	\$191,956
Furniture and fixtures	0-6	1,479,670	53,682
Totals		<u>\$6,770,553</u>	<u>\$245,638</u>

*Includes a 5% contingency. See independent accountant's review report