



Time Is Running Out!

Convert Your Right To Use Membership To A Deeded Ownership!

March of 2012 is just around the corner, which is when all "Right to Use" memberships at Indian Palms are due to expire.

Indian Palms has experienced many exciting changes and improvements over the past few years with more to come! Continue to enjoy all of the benefits of ownership... fabulous vacations here in the desert or exploring the world through exchanges. By converting your "right to use" membership to a fully deeded ownership, you can enjoy fun-filled vacations for years to come.

Contact an Owner Services representative today for more information about special "member only" pricing at **888-477-6967** or email your request to ownerservicesall@gpresorts.com.

Thank you for your interest and continued support of Indian Palms Vacation Club!

Ballot Measures Approved!

Your Board and Management are pleased to announce that the recent ballot measures that were proposed have received overwhelming approval by the Owners of deeded interests here at Indian Palms. This is an important step in the process of transitioning from our current "Right to Use" Association to the "Timeshare Estate" (deeded) Association that begins in March, 2012. Next steps include filing the amended documents with the Department of Real Estate and renewing our Public Report. The Board and management continue to work closely with our attorney, a specialist in timeshare law, to ensure that everything is done properly to ensure a smooth transition.

With the approval of the De-annexation Amendment, management is working on developing a plan which will be reviewed by the Board. This plan is important so that if the sale of units becomes necessary, we will be ready to act in the best interests of the Association. Decisions regarding which units might be sold will be made in such a way as to ensure that Owners will always be able to reserve the unit type that they own as well as retaining the most requested units.

(Continued on page 2)



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.

(Continued on page 2)

Ballot Measures Approved!

(Continued from page 1)

The ability to reduce the number of units if many of our "right to use" members decide to discontinue their ownership in March of 2012, will ensure that the Board can act quickly to reduce expenses and generate additional revenues for the Association through the sale of units.

In addition, our on-site sales representatives are continuing to pursue the sale of available weeks to new owners. If any current Owners are interested in additional weeks, or if you have friends or family who might be interested in purchasing, please contact Pacific Timeshare Services at 619-491-3010 or email marc@pacifictimeshare.com.

On behalf of the Board of Directors, I would like to thank all of our fellow Owners for their continued support. We will continue to work hard on your behalf and keep you up-to-date as we move through this exciting transition here at Indian Palms.



Bruce Aschenbrenner
Vice President, IPVC Board of Directors



Important Newsletter Update! (Continued from page 1)

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 the electronic version of your newsletter by visiting your Resort website at www.indianpalmsvacationclub.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.indianpalmsvacationclub.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.

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 ipvc@gpresorts.com to let us know your email address.



IPVC Meeting Highlights

February 4, 2011 Board Of Directors' Meeting

President Pat Fowler called the meeting to order at 8:30am. Board Members in attendance were Pat Fowler, Bruce Aschenbrenner, Mary Dieckmann, John Fecko and Doreen Bechard. Representing Management were Nigel Lobo, Vice President of Resort Operations; and Julie DaRonco, Acting Resort Manager. Lois Sklar took the meeting minutes.

The following actions took place:

- The Board approved the Minutes from the October 8, 2010 Board of Directors' Meeting.
- An overview of Resort Operations and fiscal performance was presented.
- The Board approved the 2012 Transition process as outlined in the Summary Overview and Timeline as presented.
- The Board approved the Broker Agreement with Pacific Timeshare Services.
- The meeting adjourned at 9:10am.

March 26, 2011 Annual Owners' Meeting

President Pat Fowler called the meeting to order at 9:35am.

The following actions took place:

- The April 10, 2010 Annual Meeting Minutes were approved.
- Management provided a presentation outlining Guest Services, Front Desk Operations, 2010 Year-end Financials, Housekeeping, Maintenance, Going Green, Social Media, Christel House and resort upgrades and improvements. The Owner Appreciation Program and the plan for the 2012 transition were outlined. Services available through ResorTime and Grand Pacific Exchange (GPX) were discussed.
- The election results were as follows: Incumbents Bruce Aschenbrenner, Mary Dieckmann, and Doreen Bechard were re-elected to the Board of Directors.

- Open Forum topics included: the conversion program, pet policy, deannexed units and quorum.
- The meeting adjourned at 11am.

March 26, 2011 Board Of Directors' Meeting

President Pat Fowler called the meeting to order at 11:30am. All Board members were in attendance. Resort Management was also present. Hayley Hughes took the minutes.

The following actions took place:

- The Board approved the Minutes of the February 4, 2011 Board of Directors' Meeting.
- An overview of the fiscal performance and delinquency was presented.
- The Board appointed the following officers: Patricia Fowler, Chairman of the Board and President; Bruce Aschenbrenner, Vice President; John Fecko, Secretary/Treasurer; Doreen Bechard and Mary Dieckmann, Directors.
- The meeting was adjourned at 11:46am.

Note: 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.

Confirmation of Meeting Dates

Friday, August 5, 2011 – 8:30 am, Grand Pacific Plaza

Friday, October 7, 2011 – 8:30 am, Grand Pacific Plaza

Friday, February 3, 2012 – 8:30 am, Grand Pacific Plaza

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.

Exchange Tips From Owner Services



As an Owner at Indian Palms Vacation Club, one of your use options is to exchange your week with the exchange company of your choice such as RCI or GPX and access a wide variety of exciting vacation destinations!

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

- Your ownership week at Indian Palms Vacation Club is for a floating week.



- You can reserve your week via the reservation request card that is sent in the fall of each year.
- You can bank your week 2 years to 14 days before the start date of your week.

- To receive the best value for your week you should deposit your week a minimum of 9 months before the start date.

- 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:

RCI: 800-743-3305 / www.rci.com

GPX: 866-325-6295 / www.gpxvacations.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



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.

2011 Classes: No Classes in July, August 13th, September 17, October 8, November 12
All classes are on a Saturday and start at 10am.

Referring your friends & family to us is a privilege.

We would like to honor you with Hilton HHonors® points.

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Grand Pacific Carlsbad, L.P. - Timeshare Developer • 5900 Pasteur Court, Suite 200, Carlsbad, CA 92008



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!

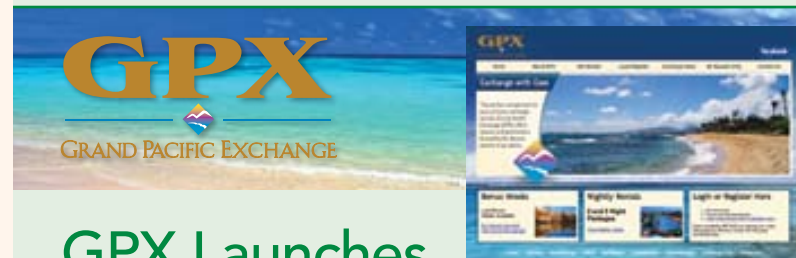
Use your existing banked weeks to find your dream vacation and consider renting your future weeks through the GPR Owner Rental Department.

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

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

VISIT VILLAGEFEST

Every Thursday night from 7-10pm. Glamorous Palm Canyon Drive becomes an old-fashioned street fair, featuring musicians, food, arts and crafts vendors, and a farmers market. Between Amado and Baristo Roads. www.villagefest.org

FEEL THE SPIRIT OF THE NATIVE AMERICAN CULTURE

Get a glimpse into the lives of the ancient Cahuilla Indians at the Agua Caliente Cultural Museum Information Center in the Village Green. Hours: Friday and Saturday 10am to 5pm, Sunday noon to 5pm. **760-323-0151** or www.accmuseum.org

EXPLORE AN OASIS

The 13,000-acre Coachella Valley Preserve has springs, dunes, mesas, hiking, and riding trails. Thousand Palms Oasis has a visitors center and picnic areas. From 7am to 6pm, just 10 miles east of Palm Springs near Thousand Palms. **760-343-1234** or www.coachellavalleypreserve.org

FOLLOW THE STARS

Palm Springs has its own "Walk of Stars," on the sidewalks of Palm Canyon Drive in downtown. Just walk outside after dark and look up at millions of stars you'll never see in the big city.

CHECK OUT THE LIBRARY

Our award-winning Palm Springs Public Library has free wireless Internet access as well as computers to use in the library. Extensive DVD, audio book, and CD collections, international reference services, video conferencing services, assorted free adult and children's programming, and much more. **760-322-READ** or www.palmsprings-ca.gov

DROP IN TO THE SENIOR CENTER

The Palm Springs Mizell Senior Center is open weekdays from 8am - 5pm, with many special activities on weekends and evenings. Many activities are free, with a minimal charge for others. **760-323-5689** or www.mizell.org

Indian Palms Vacation Club

82567 Avenue 48, #77
Mailing: P.O. Box 10620
Indio, CA 92202
760-342-1485

www.indianpalmsvacationclub.com

Facebook: Indian Palms Vacation Club
Twitter.com: IndianPalmsVC

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

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Network Reservation Center
877-879-6805
ResorTime.com/GPR

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INDIAN PALMS VACATION CLUB
OWNERS ASSOCIATION

P.O. Box 10620, Indio, CA 92202

Financial Statements

December 31, 2010

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PKF

Accountants and
business advisers



Certified Public Accountants - A Professional Corporation
425 California Street, Suite 1600, San Francisco, CA 94104
Telephone (415) 421-5378/Telefax (415) 956-7708

Accountants and
business advisers

Independent Auditor's Report

To the Board of Directors and Owners
Indian Palms Vacation Club Owners Association

We have audited the accompanying statement of assets, liabilities and fund balance (deficit) of Indian Palms Vacation Club Owners Association, 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. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Palms Vacation Club Owners Association at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on 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 applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PKF
Certified Public Accountants
A Professional Corporation

May 4, 2011



INDIAN PALMS VACATION Club
OWNERS ASSOCIATION

Statement of Assets, Liabilities and Fund Balance (Deficit)

December 31, 2010

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$133,057	\$252,134	\$385,191
Assessments and other receivables	909,641	129,585	1,039,226
Amount due from California Vacation Club	212,400	38,000	250,400
Prepaid expenses	39,221	-	39,221
Due from (to) other fund	(99,684)	99,684	-
Total assets	<u>\$1,194,635</u>	<u>\$519,403</u>	<u>\$1,714,038</u>
Liabilities and Fund Balance (Deficit)			
Accounts payable and accrued liabilities	\$58,840	\$380	\$59,220
Amount due to related parties	32,165	38	32,203
Deferred assessments	1,414,391	226,070	1,640,461
Total liabilities	<u>1,505,396</u>	<u>226,488</u>	<u>1,731,884</u>
Fund balance (deficit)	(310,761)	292,915	(17,846)
Total liabilities and fund balance (deficit)	<u>\$1,194,635</u>	<u>\$519,403</u>	<u>\$1,714,038</u>



INDIAN PALMS VACATION CLUB
OWNERS ASSOCIATION

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

Year Ended December 31, 2010

	Operating Fund	Replacement Fund	Total
Revenues			
Assessments	\$1,259,216	\$237,215	\$1,496,431
Interest	1,401	2,347	3,748
Front desk and other income	220,809	-	220,809
Total revenues	1,481,426	239,562	1,720,988
Expenses			
Front office	139,802	-	139,802
Housekeeping	231,384	-	231,384
Owner relations/guest activities	97,733	-	97,733
Administration/sales	222,055	2,093	224,148
Repairs, replacements and maintenance	159,005	266,970	425,975
Telephone and utilities	150,825	-	150,825
Fixed expenses	519,328	-	519,328
Provision for income taxes	567	-	567
Provision for doubtful accounts	201,667	38,799	240,466
Total expenses	1,722,366	307,862	2,030,228
Excess of expenses over revenues	(240,940)	(68,300)	(309,240)
Fund balance (deficit), beginning of year	(69,821)	361,215	291,394
Fund balance (deficit), end of year	\$(310,761)	\$292,915	\$(17,846)

See notes to the financial statements



INDIAN PALMS VACATION CLUB
OWNERS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2010

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess of expenses over revenues	\$(240,940)	\$(68,300)	\$(309,240)
Adjustments to reconcile excess of expenses over revenues to net cash used in operating activities			
(Increase) decrease in operating assets			
<i>Assessments and other receivables</i>	(118,895)	42,034	(76,861)
<i>Amount due from California Vacation Club</i>	(10,120)	-	(10,120)
<i>Unit week inventory</i>	35,500	-	35,500
<i>Prepaid expenses</i>	3,429	-	3,429
<i>Due from (to) other fund</i>	74,561	(74,561)	-
Increase (decrease) in operating liabilities			
<i>Accounts payable and accrued liabilities</i>	20,107	(11,216)	8,891
<i>Amount due to related parties</i>	8,092	(938)	7,154
<i>Deferred assessments</i>	72,412	(10,290)	62,122
Net cash used in operating activities	<u>(155,854)</u>	<u>(123,271)</u>	<u>(279,125)</u>
Net decrease in cash and cash equivalents	(155,854)	(123,271)	(279,125)
Cash and cash equivalents			
- beginning of year	<u>288,911</u>	<u>375,405</u>	<u>664,316</u>
Cash and cash equivalents			
- end of year	<u>\$133,057</u>	<u>\$252,134</u>	<u>\$385,191</u>
Supplemental disclosure of cash flow information:			
Cash paid for income taxes			<u>\$7,030</u>

See notes to the financial statements

Notes to the Financial Statements

December 31, 2010

Note 1 - Association and membership

Indian Palms Vacation Club Owners Association (the Association) was incorporated on March 17, 1981, as a California nonprofit mutual benefit corporation with the specific and primary purpose of promoting the interests and welfare of the owners of vacation intervals situated in the project known as Indian Palms Vacation Club in Riverside, California. The Association is comprised of 2,341 Class A "Fee Simple" memberships and 509 Class A "Right to Use" memberships, each of which is entitled to one vote. On March 12, 2012, the Right to Use memberships expire and Indian Palms Vacation Club Owners Association, Inc., transfers all rights and duties of governance to Indian Palms Timeshare Estate Owner's Association. The Indian Palms Timeshare Estate Owner's Association will continue promote the interests and welfare of the owners in the same manner as Indian Palms Vacation Club Owners Association, Inc.

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

Note 2 - Summary of significant accounting policies

Basis of accounting

The financial statements of the Association 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 Association uses fund accounting, which requires that funds, such as operating 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 Association management. Disbursements from the replacement fund generally may be made only for designated purposes.

Cash equivalents

The Association 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.

Concentrations 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 membership owner was assessed \$601, inclusive of a \$95 replacement fund assessment. The 2011 annual assessment is \$626, inclusive of a \$95 replacement fund assessment, and is 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 Association may suspend rights and privileges of interval owners with delinquent assessments as defined in the by-laws. The Association's policy is to write-off all unpaid assessment receivables not collected by December 31st of the year in which the assessment pertains. 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

Ownership of the commonly owned assets is vested directly and indirectly in the interval owners, and those assets are not titled in the Association's name. As a result, commonly owned assets are not presented in the Association's financial statements.

Replacement fund assessments

The Association has designated certain amounts as replacement funds to provide for the payment of future repair and rehabilitation expenditures, as specifically approved by the Association's Board of Directors. The Association's replacement fund program is subject to a reserve analysis study. The most recent study conducted in 2010 was prepared by Hughes Reserves, who specializes 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, Association management believes 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 Association 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 Association collects various taxes, generally occupancy taxes, and remits these amounts to applicable taxing authorities. The Association'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 reporting of 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 (deficit) date but before the financial statements are available to be issued. The Association evaluates all subsequent events and transactions to determine whether any transaction needs to be recognized or disclosed. The Association has evaluated all subsequent events through May 4, 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.

Note 3 - Management agreement

The Association is operated under a management agreement with a professional property management company, Grand Pacific Resort Services, L.P., (GPRS), a California limited partnership. The Association's management budget is within guidelines established by the Department of Real Estate. Management fees under this agreement were \$159,598 for the year ended December 31, 2010, of which, \$138,055 is allocated as fixed expenses under the operating fund and \$21,543 is allocated as repairs, replacements and maintenance under the replacement fund.

In addition, the Association 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, owner relations service and Board of Director and member meetings coordination. The Association also reimburses GPRS for any out of pocket expenses paid. At December 31, 2010, the Association owed GPRS and other affiliated companies \$32,203 for services provided. The Association is owed \$250,400 for 2011 annual assessments from California Vacation Club, managed by GPRS.

Note 4 - Income taxes

For federal tax purposes, the Association is taxed under Internal Revenue Code Section 528 as an exempt organization. The Association 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 Association 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.

Federal and state income taxes for 2010 were \$0 and \$567, respectively.

Uncertain tax positions

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 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 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 - Operating lease

Effective July 14, 1997, the Association has leased telecommunication equipment from GPRS. The Association has also granted GPRS the exclusive right to provide local and long distance services and operator assisted services. The term of the lease is ten years and is automatically renewable for an additional five years, unless terminated in accordance with the lease agreement. The Association pays approximately \$2,638 per month (subject to an annual increase of 5%) for the leased equipment and remits user charges in accordance with the agreement. Telephone expense of \$40,083 at December 31, 2010 included operating lease payments and charges incurred with long distance carriers.

Future minimum lease payments are as follows:

Year Ending December 31	
2011	\$31,752
2012	<u>16,670</u>
Total	<u>\$48,422</u>

Note 6 - Amenities package agreement

The Association entered into an amenities package agreement with Indian Palms Country Club for the use of the Club's facilities. The agreement is for a period of two years expiring December 31, 2010. The annual fee under this agreement was \$54,000, payable in quarterly installments, and is included with owner relations/guest activities. The agreement automatically renews for one year unless a party chooses to terminate. The agreement was automatically renewed in 2010.

Note 7 - Unit week inventory

The Association and Pacific Timeshare Services, Inc. ("PTS") entered into an agreement regarding unpurchased vacation intervals. PTS will bear the cost of marketing and reselling the unpurchased vacation intervals. The Association will no longer receive the net proceeds from the sale. As a result, the unit week inventory was written off.

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 \$266,970.

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 1.5%, respectively.

Components	Estimated Remaining Life in Years	Estimated Current Replacement Costs	Recommended 2010 Funding Requirement
Buildings	0-18	\$1,149,990	\$157,108
Furniture and fixtures	0-6	<u>849,331</u>	<u>116,033</u>
Totals		<u>\$1,999,321</u>	<u>\$273,141</u>