

Royal Resort Managers Report

October 24/25, 2008

BOD Meeting

FRONT DESK – The desk remained busy throughout the summer months. Cora Ramirez, FD Manager and staff continue to operate the department with an overall favorable variance to budget in the amount of \$29,708 (approximately 6% of total YTD FD budget) through August 31, 2008. The Front Desk is anticipating a year end favorable variance of approximately 3% of total FD budget. Cora and staff are gearing up for the fall and winter months, occupancy for the timeshares is anticipated to increase by approximately 10% for the months of Oct/Nov/Dec. Occupancy for the Hotel is anticipated to be reduced by approximately 6% for Oct/Nov/Dec. The department is conducting monthly staff meetings and as of October, participates in various bi-monthly training that emphasizes on customer service. Over the past quarter (July/Aug/Sept), the desk directly assisted guests with an average of 30 room moves, 45 housekeeping requests and 220 maintenance requests/month.

SECURITY – The department recently upgraded the surveillance system. The system upgrade from an analog camera/VHS recording system to a digital camera/PC based DVR with multiple recording, audio and viewing features. The system has improved the department's overall efficiency, most importantly in the financial area. Through August 31, 2008, the department is operating with a small favorable variance of approximately \$975 (less than 1% of YDT budget). The department is anticipated to end the year with an unfavorable variance of 1% or approximately \$1400. In recent months, the department completed a revision to their safety procedures and participated in handcuff, threat & incident identification training. Managed by Dushuane Purnell, the department also assists management in quality assurance and enforcement of chemical labeling/Osha updates/chemical use/lost & found procedures/safety zone enforcement/parking control/incident reporting and safety meetings.

HEALTH DEPARTMENT INSPECTIONS – The Southern Nevada Health Department visited the Royal the last week of August (restaurant related) and again the third week of September (public areas and guest rooms related). A new inspector has been assigned to our location, thus many "new" corrective actions were requested. The restaurant received approximately 35 corrective requests, while the hotel/timeshare received approximately 15. Corrective measures for the restaurant included minor and major repairs and replacement to fixtures/appliances/plumbing and general cleanup. The health department completed a restaurant re-inspect the second week of September and gave the restaurant an "A" grade. The inspector was extremely pleased with the corrections and commended the staff for their efforts. The total "restaurant related" cost incurred by the Royal was at approximately \$3500. Corrective measures for the hotel/timeshare included minor and major repairs/replacement of plumbing/flooring/lighting and storage. To date, the total "Hotel/Timeshare related" cost incurred by the Hotel/Timeshares have been approximately \$4600. The inspector returned the first week of October and signed off on the corrective requests with exception to two. The two pending plumbing and lighting issues were discussed prior to and during the re-inspect As a result of communication and personal attention by Trish Dye (AGM), the inspector granted the Royal an extension of 3-9 months for proper planning on the plumbing and lighting issues. Additional expenses are expected for the plumbing and lighting "corrective requests".

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LVVWD CONSTRUCTION PROJECT – The Las Vegas Valley Water District will begin working on a major construction project along Convention Center Dr. and inside the Royals property line beginning the third week of October. An aging/faulty vault and water main is scheduled to be reconstructed and replaced. The vault is located on the northeast corner of the property near the sidewalk. GM, Victor Perez and Chief Engineer, Greg Gutierrez met with representatives (of the LVV Water District, Southern Nevada Water Authority, General Contractor-Construction Team and Public Relations/Information department) to discuss the plan in detail. The construction will have minimal impact on the Royal and is expected to take approximately 30 days from start to finish.

HOUSEKEEPING – The housekeeping department has remained steady this quarter. Managed by Simona Dye, the department is making a great effort to improve its overall efficiency. Prompted by a (projected in September) decrease in revenue for the year end and an overall unfavorable YTD variance in of \$66707 (approximately 9.25% of YTD budget) through August 31, 2008, the department is cutting back staff hours to accommodate the projected decreased revenue. The department is anticipated to end the year with an unfavorable variance of about 5% or approximately \$55000. The department is getting ready for the winter months and is stocking up on highly requested items such as blankets and pillows. Department meeting are held each month. The most recent meeting included revised security related procedures, communication and attention to detail. In the month of September a total of 3873 guest rooms were cleaned.

NEW SPA CONSTRUCTION – Spa construction remains in progress. Construction delays are credited to the Virginia Graeme Baker Pool & Spa Safety Act of 2007. The purpose of the law, passed by Congress on December 19, 2007 was to increase the safety of swimming pools and spas by requiring the use of proper anti-entrapment drain covers and pool and spa drainage systems. The federal law goes into effect on December 19, 2008 and has affected commercial pool/spa construction across the country. The delays have involved various regulatory departments for pool/spa construction at county levels, product suppliers and construction companies. Additional details and information will be given at the October meeting.

ENGINEERING- The engineering department has experienced a very busy quarter. In addition to getting the health department's corrective requests taken care of, the department has been busy with guest room and building Preventive Maintenance. The department is averaging 280/month guest room/property related maintenance requests for July/Aug/Sept and an additional 180/month maintenance requests originated by department supervisors/management. The department recently converted many of their cleaning chemicals over to green products. The department has also scheduled a parking lot lighting (bulb replacement/electrical shorts repair) project for mid October. As of mid September, the department has been operating with only 4 employees after a loss of two engineers. Although under a great deal of stress to maintain the working pace, under the management of Greg Gutierrez, the department has accrued 0 (zero) overtime hours for 3 consecutive pay periods and have done an exceptional job at supporting each other until the positions could be filled. The department is operating with an overall unfavorable variance to budget in the amount of \$4799 (almost 1.5% of total YTD R&M budget) through August 31, 2008. The majority of unfavorable variances were related to plumbing and heating repairs and electrical and mechanical. The department is anticipated to end the year with an unfavorable variance of less than 2% or approximately \$10500.

End of Report – Prepared by Victor Perez