

# ROYAL VACATION SUITES, INC.

## REGULAR SESSION BOARD OF DIRECTORS MEETING Las Vegas, Nevada

Friday October 24, 2008

### MINUTES

#### I. CALL TO ORDER / QUORUM

President Howard Engel called the meeting to order at 4:02 pm Pacific Time and established there was a quorum. President Engel welcomed the board members. Board members in attendance were:

##### Board of Directors:

Howard Engel, President  
George Cramer, Vice President  
Jerry Peterson, Secretary  
Jeff Campbell, Treasurer  
Bruce Beane, Director

##### Trading Places International:

Tom Newman, Vice President/Director of Resort Operations  
Gary Fraizer, Accountant  
Victor Perez, General Manager  
Deana Grulich, Executive Assistant  
Trish Dye, Assistant General Manager  
Gisele Peiro, Marketing  
Patrice piper, Owner services – satellite  
Shannon Fowler, Owner Services - Laguna

#### II. APPROVAL OF AGENDA

Motion by Jerry Peterson, seconded by George Cramer, the Agenda was approved with the addition of item VI. E, Non-Smoking policy – discussions; and with the inversion of items A – D under VI New Business.

Agenda approved with additions.

#### III. APPROVAL OF MINUTES

Motion by Bruce Beane, seconded by Jeff Campbell, to approve the Minutes of the August 1, 2008 Regular Board meeting. Motion was approved.

Motion by Bruce Beane, seconded by Jerry Peterson, to approve the Minutes of the May 2, 2008 Special Board meeting. Motion was approved.

## IV. REPORTS

### Hotel Management

Victor Perez reviewed the General managers report provided in the board packet covering such activities as the Front desk; Security; Health Department inspections; Water District Construction; Housekeeping; Spa Construction; and Engineering. Director Campbell questioned Mr. Perez on the projections for occupancy in 2009 both in the owner usage and hotel transient traffic. Mr. Perez felt the increase in owner usage for 2009 will be driven by owners utilizing their home property because it's a drive to location versus undertaking greater expense in long distance travel. As for transient traffic into the hotel Mr. Perez feels the location of the Royal and its moderate pricing will be seen as bargain to weekend Las Vegas travelers.

The new Security monitoring system is in place allowing for a much broader coverage of both interior and exterior locations around the property. Additionally the system provides for long term documentation.

The County Health Department has visited the project numerous times recently causing several thousands of dollars in upgrades to equipment as well as required repairs to machinery. Likewise the Health department has been slow in processing the final plans for the new spa along with becoming more critical of every interior room requirement from available hot water within 20 seconds to lighting. Staff has spent a great deal of time completing this task so as to receive approvals from the health department.

Housekeeping department continues to be over budget in labor costs however new schedules and incorporated efficiencies will begin to curtail some spending and will reduce the labor expenses as room occupancy slows through the remainder of the year. Maintenance/Engineering on the other hand continues to fall below budget in labor costs. Many smaller projects have been completed as well as accommodating the health department needs.

Board members asked Victor to research the feasibility of adding 'Royal vacation Suites' to the Marquis sign allowing for owners and guest to better locate this project when entering the community.

### TPI Management

Tom Newman provided a brief report on recent discussions and developments with the hotels owners Golden West Properties. Mr. Newman shared insight into the hotels owner's immediate and future expectations given the current economic markets. At this time the hotel owner has decided to not add any new amenities, development or significant changes to the property. Likewise the hotel owner has not determined the future of the hotel and doesn't expect to make a conclusion for several years. Recently certain agreements were entered into between related entities which will have effect on the association indirectly.

Mr. Newman provided the board with a brief explanation of the status of the gaming lease tenant and the failure of this tenant to pay their lease. Mr. Newman shared his concern that in the over-all scope he wanted to first get an opinion of the board should he elect to file a pay or quit notice to this tenant. The board indicated it supports the pay or quit position.

Mr. Newman presented the board the acknowledged of a developer subsidy with the condition the association converts its non-performing intervals to the developer as an off-set to the developer actually purchasing these intervals from the association. Given Trading Places had reached a compatible arrangement with the developer and found a resolve to the condition being experienced within the

deeded association subsidy agreement, Mr. Newman recommended the board move forward on ratification of the subsidy agreement.

### **HOA Rental Report**

Board members were provided copies of the July, August and September rental revenue summary report wherein the Owners Association received a net income of \$14,508.67 for July, \$19,045.83 for August, and \$12,598.14 for September unreserved inventory used by a rental guest. Individual rental report booklets providing detail continue to be sent to Jeff Campbell for review as Treasurer. Director Beane had several questions with regards to the compilation of the summary pages wherein Mr. Fraizer provided an explanation.

### **Comment Cards**

Occupancy reports were provided. The Board was apprised the (4%) of owners actually booking into the Royal Resort continues to be the normal, yet if the Fairfield and bonus time are added in the percentage increases to 12%. There continues to be a very aggressive percentage (30%) of exchange guests arriving. The Board was reminded the information stated in most of the comment cards returned does not always reflect an accurate rating of the project; however it does provide for general information in determining future operational actions.

### **Financial**

Gary Fraizer provided a brief overview and explanation of the current financials through August 31, 2008. The financials indicate a negative variance to budget of <\$30,198.71> after allocating \$18,507.73 to Reserves for the month. Although the board members had not received the September statements Mr. Fraizer reviewed the month-end financials which were provided and distributed under separate cover. The September financials reflect an unfavorable balance to the annual budget of <\$193,785.80> after allocating \$166,569.57 to reserves.

Mr. Fraizer went into detail as to why the financials show an unfavorable balance to budget. There have been adjustments to rental income for the nine month period (January – September) resulting in a reduced rental income and the bad debt expense continues to grow. It is expected the new subsidy agreement will eventually eradicate this expense resulting in a more favorable budget variance. Mr. Fraizer went on to explain the association continues to fund their reserves at a better than budgeted amount.

The board discussed the concern being the debt service levels it's currently budgeting. The debt service is a carry over from all previous years. Tom Newman shared with the inclusion of the subsidy agreement and transfer of intervals to the developer this debt will eventually be eliminated.

Motion by Howard Engel, seconded by George Cramer, to accept and approve the financial statements as submitted through August 2008. Motion was approved.

### **Collections**

Management reported on collection efforts with respect to those members who are delinquent in the payment of their maintenance fees. Demand Notices are sent and those who do not pay are being turned over to a professional collection agency (Continental Central Collections). The Board was supplied a summary of this activity via a spreadsheet report.

## V. OLD BUSINESS

### Gaming

Similar to previous meetings Mr. Newman again brought to the boards attention the current operator has not yet paid any lease payments to the hotel operator. It does not appear this gaming operator will have the ability to pay any rent due. The future does not look favorable to retain a gaming aspect to the Royal given market conditions. Mr. Newman indicated he continues to talk with the operator yet does not foresee a positive outcome at this time.

## VI. NEW BUSINESS

### Reserves Requests

Victor Perez presented a request for reserve expenditures to purchase various case goods including sofa sleepers and lounge chairs along with tables for the units. Three quotes were provided to the board for their review and consideration. Additionally two units had received products providing hands on look and actual room set-up with the requested furnishings.

36 Sofas sleepers @ \$23,904	17 Coffee tables @ \$2,040
63 Lounge chairs @ \$19,467	162 Dining Chairs @\$16,038
34 End tables @ \$2,720	51 Round tables @ \$6,324

Purchased from red Rock Hospitality

Motion by Bruce Beane, seconded by Jerry Peterson, to purchase various units case goods as described on exhibit quote listing from Red rock Hospitality in an amount collectively not to exceed \$72,000.00. Motion was unanimously approved.

## VII. EXECUTIVE SESSION

The Board adjourned to Executive Session for the purpose of contract matters at 6:30 pm PDT.

The Board reconvened to Regular session at 6:45pm PDT.

## VIII. NEW BUSINESS - Continued

The Board suspended the Regular Session until the following morning, October 25 at 8:00 am, due to time and length of discussion pending 6:50 pm PDT.

The Board reconvened to Regular Session at 8:00am PDT Saturday October 25, 2008

### Purchase Agreement Resolution – Termination

Following discussion with regards to the original purpose of the agreement and now having a subsidy in place the need for such an agreement is no longer required.

Motion by George Cramer, seconded by Jerry Peterson, to Terminate the Purchase Agreement entered into between the Association and Trading Places International effective this date.

Motion was unanimously approved.

### **Ratification of Subsidy Agreement - RRE & RCA**

Following extensive discussion with regards to the effects of a subsidy agreement with the current hotel owner/developer Royal Resort Enterprises, LLC, and Royal Center Associates, LLC, along with the understanding in consideration of this subsidy the non-performing intervals memberships will be transferred in ownership to the developer; combined with the termination of the purchase agreement entered into with TPI, Mr. Newman recommended the board approve and accept the developer subsidy.

Motion by Bruce Beane Cramer, seconded by Jerry Peterson, to Ratify and accept the developer Subsidy offered by the hotel owner/developer RRE & RCA for 2008 and 2009.  
Motion was unanimously approved.

### **2009 Budget proposal – Annual Assessment**

Gary Fraizer presented the 2009 budget proposals for the board consideration. Treasure Jeff Campbell provided the board his analysis of the various discussions with Trading Places staff during budget sessions conducted previously. Following discussion and much debate the board determined any increase in assessments should reflect not only the additional expenses being incurred for varying services but should also have balance with the national CPI (cost of living index).

Motion by Jeff Campbell, seconded by Jerry Peterson, to adopt a budget of anticipated reimbursements to the hotel operations for 2009 in the amounts of \$1,236,777.76 wherein 2009 assessment shall represent an increase not to exceed 4%.  
Motion was unanimously approved.

### **Non-Smoking policy**

The Board directed staff to prepare and have presented for its next regular board meeting a policy recommendation effecting non-smoking rooms.

## **IX. OTHER BUSINESS**

### **Member Forum / Correspondence**

There were no owners present and correspondence from written inquires had been distributed to the Board.

### **Future Meeting Dates**

The Board set the following meeting dates for 2009:

Regular Board meeting date March 13, 2009 (Friday) at 4:00 pm at the Royal.

Regular Board meeting date June 26, 2009 (Friday) at 4:00 pm at the Royal.

Regular Board meeting date October 23, 2009 (Friday) at 4:00 pm at the Royal.

The 2009 Annual Owner Meeting date is October 24<sup>th</sup> (Saturday) at 10:00 am and to be conducted in close proximity to the Royal Resort as feasible.

## **IX. ADJOURNMENT**

There being no further business to bring before the Board a motion by George Cramer and seconded by Bruce Beane to adjourn. Motion approved. The meeting adjourned at 9:07 a.m.

Respectfully submitted,

Accepted by,

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Tom Newman, Director of Resort Operations  
Trading Places International

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Jerry Peterson, Secretary  
Royal Vacation Suites, Inc. (RVS I)