



WOLFTRACKS

A NEWSLETTER FOR RED WOLF LAKESIDE LODGE HOMEOWNERS AND GUESTS

SPRING 2011

Reserve Funds at Work

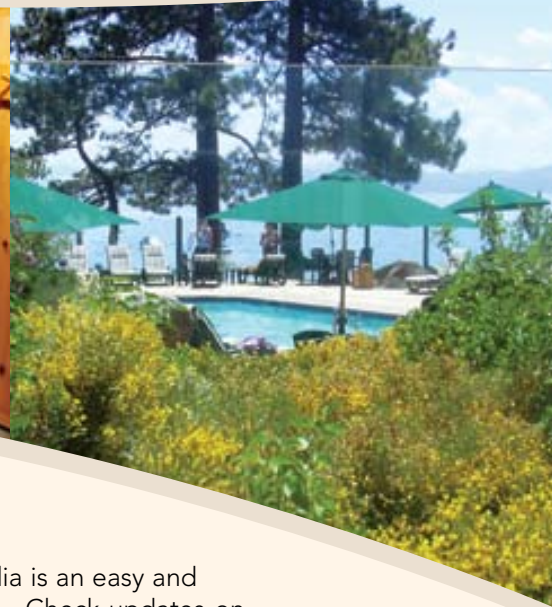
Reserve work has already begun in full force for this year. We know you'll be excited to see just how much work is completed and scheduled for 2011.

- All studio units now have plasma flat screen televisions.
- A third of the one-bedroom units have plasma flat screen televisions. The remaining one-bedroom and all two-bedroom units will receive flat screen TV's once the armoires are replaced or modified to accommodate the new TV specifications.
- Three new Weber barbecues are ready and waiting for the summer months.

- All units have new alarm clocks with iPod docking stations.
- Kitchen small wares such as blenders, water pitchers, toasters and coffee makers have been replaced.
- CD/radio units have been replaced through out the resort.
- New bathrobes are currently on order.

The most exciting news is that we have finally received the necessary permits to complete improvements to our beach front rock wall. The project will result in an increase to the usable amount of space on the lake front itself with a sandy terrace that forms into a point overlooking the lake. Additional measures will also be taken to safeguard the beautiful Jeffery Pine trees that rest in this area.

We know you will be pleased with all the improvements at the resort. Look for updates on our Facebook and Twitter pages!



Facebooking and Tweeting

Have you heard Red Wolf Lakeside Lodge is on Facebook and Twitter? Social media is an easy and fun way to visit your home-away-from-home without ever leaving your living room. Check updates on availability, current weather conditions or any special events coming up at the resort that you don't want to miss. We appreciate your comments and suggestions and encourage posting your favorite pictures of Red Wolf Lakeside Lodge on our Facebook home page. Join us on Facebook...its simple: just click the LIKE button and your friendship will be accepted.

Tweeting on Twitter allows you to follow what we're doing at the resort. You can receive "tweets" on the go via a text message. These are both great ways for you to share your resort with your family and friends. We hope to connect with you soon!

Employee of the Year

Kelly Garcia, your Front Desk team leader, has earned the coveted Employee of the Year Award for 2011. Kelly traveled to San Diego to be honored at the prestigious Employee of the Year Gala Celebration. She was awarded a lovely trophy from Grand Pacific Resort Management Co-President David Brown.



Kelly Garcia, Front Desk

When asked about her passion for Red Wolf Lakeside Lodge, Kelly replied, "The homeowners are my family and they make customer service second nature." A heart felt congratulations to Kelly for always going above and beyond!

Another great award worthy of mention was earned by your Resort Manager, Erin O'Brien! Erin and the Red Wolf Lakeside Lodge team have consistently ranked #1 in service when measured against other Grand Pacific Resorts' managed properties.



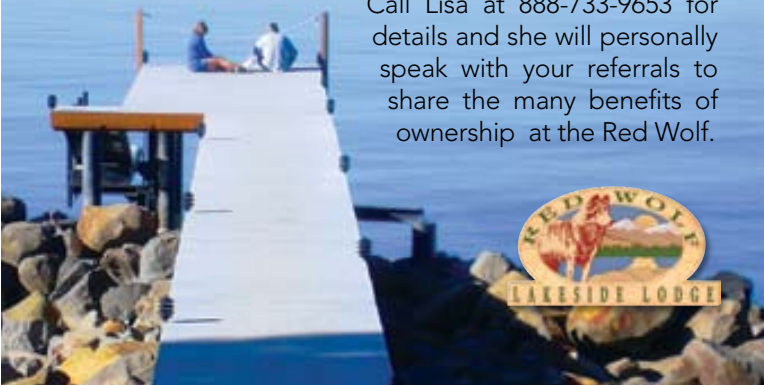
Erin O'Brien, Resort Manager

As a result of this great service focus and consistent performance, Erin was awarded the Resort Service Leadership Award. Thanks Erin for keeping service a priority!

Refer your friends or family...

Refer your friends or family members who you think would be interested in ownership at Red Wolf Lakeside Lodge and receive a complimentary week at Red Wolf when they purchase.

Call Lisa at 888-733-9653 for details and she will personally speak with your referrals to share the many benefits of ownership at the Red Wolf.



Board Meeting Highlights

March 1, 2011

President Eric Siegel called the meeting to order at 9:32am. Board members in attendance were Eric Siegel, Patrick Fernane, Paul Seaman, and Peter Grant. Robert Shipley was unable to attend. Representing Management were Nigel Lobo, Vice President of Resort Operations; Jay Anderson, Area Manager; and Erin O'Brien, Resort Manager. Hayley Hughes took the minutes.

The following actions took place:

- The Board approved the Minutes of the December 5, 2010 Board of Directors' meeting.
- An overview of front desk operations, housekeeping, maintenance, activities, administration and fiscal performance was presented.
- The Board discussed the plans for the rock revetment.
- The meeting was adjourned at 10:35am.

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

Tuesday, October 4, 2011

– 10am at Red Wolf Lakeside Lodge

Tuesday, December 6, 2011

– 10am at Red Wolf Lakeside Lodge

Tuesday, March 13, 2012

– 10am at Red Wolf Lakeside Lodge

Saturday, June 9, 2012

– 1pm at Red Wolf Lakeside Lodge

Saturday, June 9, 2012, Annual Owners Meeting

– 2:30 pm at NTCCC

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.

The Four Seasons In Lake Tahoe



Northstar-At-Tahoe is truly one of the finest year-round, world-class mountain resorts in North America! Recently, Vail Resorts (Northstar's parent company) has announced that they plan to invest \$30 million in capital improvement projects to enhance Guest experience both on the mountain and in the "Village." Located

just minutes from your Red Wolf Lakeside Lodge doorstep, ski and snowboard enthusiasts will enjoy new signature amenities such as a new quad chair lift on the "backside" of the mountain providing access to new ski trails and a new mid-mountain lodge-style restaurant.

The year-round VILLAGE at Northstar, an already popular gathering place for guests of all ages, will continue to evolve with an exciting new retail and restaurant mix, special family events and much more! Winter, spring, summer or fall, our Red Wolf Owners will enjoy all that Northstar-At-Tahoe and the beautiful North Shore of Lake Tahoe has to offer.

Many of our Red Wolf Owners are expanding their Lake Tahoe vacation experience by choosing to visit the area during more than one season. It is a rewarding experience seeing our Owners



and Guests with big smiles on their faces after a day of sledding or snowshoeing in our breathtaking mountains! Or the satisfaction they receive after a fall season hike around the beautiful shoreline or on our many mountain trails. Of course, we cannot forget all of the local merchant discounts including two for one dining during the spring and fall seasons!

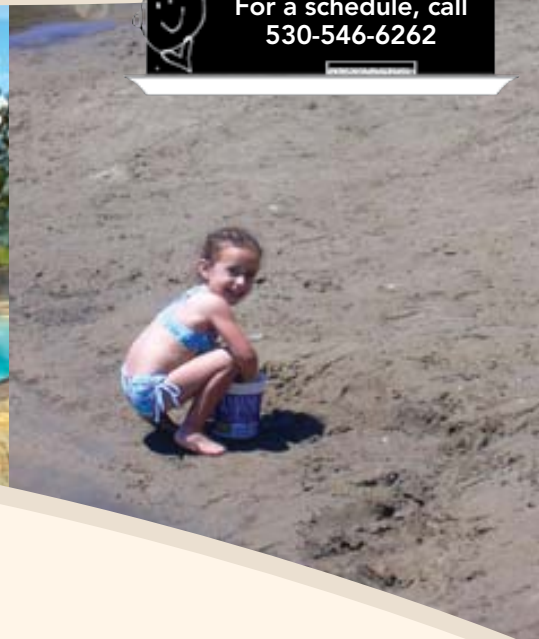
For those of you who may be considering the addition of another vacation week to your portfolio, please feel free to inquire about our exceptional ownership options currently still available through Red Wolf (be sure to ask about our extended "complimentary" week promotion available with your purchase!).

I look forward to sharing some priceless memories with you!

Lisa Feinberg

Lisa Feinberg
Owner Services, 888-733-9653

TIMESHARE 201
Classes held weekly!
For a schedule, call
530-546-6262



Is Your Title Current? We Can Help

With more than 2,300 homeowners, we regularly receive inquiries from Owners needing assistance with title changes. Well, we can help. We offer a complete array of title services and can complete all of the work for you.

For complete information and to initiate title changes, please contact Tessa Debold by phone: 530-550-9993; fax: 530-587-1815; or email: tdebold@grantwolf.com.

Exchange Tips From Owner Services



As an Owner at Red Wolf Lakeside Lodge, 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 Red Wolf Lakeside Lodge 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:

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

RCI Points: 888-968-7476 / 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.



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



Now Offering...

HOA Foreclosure Weeks for Purchase!

*Lowest prices ever available to our
Red Wolf Lakeside Lodge Owners!*

Call Lisa Feinberg, Owner Services, at 888-733-9653.

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



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!

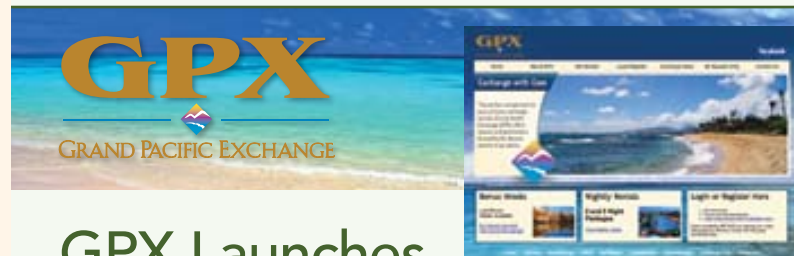
Use your existing banked weeks to find your dream vacation and consider renting your future weeks through the GPR Owner Rental Department.

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

June 19 - September 4, 2011 –

Summer Concerts at Commons Beach

Join us on the beach this summer for another fantastic season of free, live music every Sunday afternoon. Visit www.visittahoe.org for a schedule of performers.

July 15 - August 21, 2011 –

Lake Tahoe Shakespeare Festival

Lake Tahoe's Premier Summer Event - "Great Fun in a Matchless Setting" - This summer the Festival returns to traditional Shakespeare with one of the Bard's greatest comedies...Twelfth Night. Directed by Producing Artistic Director, Charlie Fee. Expect a lavish production with gorgeous costumes and sets and beautiful music, performed with wit and clarity by one of the best professional acting companies in the West. Sand Harbor, NV. www.laketahoeshakespeare.com

July 23-24, 2011 – The 16th Annual Kings Beach Fine Art and Sculpture on the Shore

The festival makes its appearance at beautiful Kings Beach State Park on the shore of North Lake Tahoe. The event features 40 artists displaying two-dimensional and sculptural works, fine crafts and jewelry in this scenic setting. 10-5pm. www.pacificfinearts.com

August 12-13, 2011 – Lake Tahoe Concourse d'Elegance

In 1972 a group of Tahoe Yacht Club members and friends got together to share their passion for wooden boats. From this modest beginning, the Lake Tahoe Concours d' Elegance has grown to play a significant role in the wooden boat community, as well as the Lake Tahoe maritime community. Carnelian Bay, CA. www.laketahoeconcours.com



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

Red Wolf Lakeside Lodge

7630 North Lake Blvd.
Tahoe Vista, CA 96148
530-546-6262 ext. 0

www.RedWolfLakesideLodge.com

Lisa Feinberg

Resort Sales/Owner Services
888-733-9653

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

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

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





OWNERS ASSOCIATION, INC.

7630 N. Lake Tahoe Blvd., Tahoe Vista, CA 96148

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

The Board of Directors and Owners Red Wolf Lakeside Lodge Owners Association, Inc.

We have reviewed the accompanying statement of assets, liabilities and fund balance (deficit) of Red Wolf Lakeside Lodge Owners Association, Inc. 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 inquiries of Association 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.

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

April 29, 2011



OWNERS ASSOCIATION, INC.

Statement of Assets, Liabilities and Fund Balance (Deficit)

December 31, 2010

| | Operating Fund | Replacement Fund | Total |
|---|---------------------------|-------------------------|---------------------------|
| Assets | | | |
| Cash and cash equivalents | \$266,733 | \$137,747 | \$404,480 |
| Assessments and other receivables | 804,071 | 110,783 | 914,854 |
| Unit week inventory | 2,000 | - | 2,000 |
| Prepaid expenses | 40,729 | - | 40,729 |
| Prepaid income taxes | 7,314 | - | 7,314 |
| Due from (to) other fund | 1,286 | (1,286) | - |
| Total assets | <u>\$1,122,133</u> | <u>\$247,244</u> | <u>\$1,369,377</u> |
| Liabilities and Fund Balance (Deficit) | | | |
| Accounts payable and accrued liabilities | \$121,950 | \$8,663 | \$130,613 |
| Amount due to related parties - net | 38,886 | 1,598 | 40,484 |
| Deferred assessments | 984,139 | 160,772 | 1,144,911 |
| Total liabilities | <u>1,144,975</u> | <u>171,033</u> | <u>1,316,008</u> |
| Fund balance (deficit) | (22,842) | 76,211 | 53,369 |
| Total liabilities and fund balance (deficit) | <u>\$1,122,133</u> | <u>\$247,244</u> | <u>\$1,369,377</u> |

See notes to the financial statements



OWNERS ASSOCIATION, INC.

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

Year Ended December 31, 2010

| | Operating Fund | Replacement Fund | Total |
|---|--------------------------|------------------------|-------------------------|
| Revenues | | | |
| Assessments | \$854,387 | \$165,923 | \$1,020,310 |
| Interest | 1,526 | 1,071 | 2,597 |
| Front desk and other income | 243,969 | - | 243,969 |
| Total revenues | <u>1,099,882</u> | <u>166,994</u> | <u>1,266,876</u> |
| Expenses | | | |
| Front office | 91,348 | - | 91,348 |
| Housekeeping | 157,793 | - | 157,793 |
| Owner relations/guest activities | 85,356 | - | 85,356 |
| Administration/sales | 220,789 | 2,148 | 222,937 |
| Repairs, replacement and maintenance | 183,559 | 142,666 | 326,225 |
| Telephone and utilities | 106,985 | - | 106,985 |
| Fixed expenses | 185,422 | - | 185,422 |
| Provision for doubtful accounts | 66,392 | 13,981 | 80,373 |
| Provision for income taxes | 800 | - | 800 |
| Total expenses | <u>1,098,444</u> | <u>158,795</u> | <u>1,257,239</u> |
| Excess of revenues over expenses | 1,438 | 8,199 | 9,637 |
| Fund balance (deficit) - beginning of year | <u>(24,280)</u> | <u>68,012</u> | <u>43,732</u> |
| Fund balance (deficit) - end of year | <u>\$(22,842)</u> | <u>\$76,211</u> | <u>\$53,369</u> |

See notes to the financial statements



Statement of Cash Flows

Year Ended December 31, 2010

| | Operating Fund | Replacement Fund | Total |
|--|-------------------------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Excess of revenues over expenses | \$1,438 | \$8,199 | \$9,637 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities | | | |
| (Increase) decrease in operating assets | | | |
| <i>Assessments and other receivables</i> | (57,908) | (1,071) | (58,979) |
| <i>Prepaid expenses</i> | 2,911 | - | 2,911 |
| <i>Prepaid income taxes</i> | (3,119) | - | (3,119) |
| <i>Due from (to) other fund</i> | 58,662 | (58,662) | - |
| Increase (decrease) in operating liabilities | | | |
| <i>Accounts payable and accrued liabilities</i> | 18,581 | (2,487) | 16,094 |
| <i>Amounts due to related parties - net</i> | 22,573 | 483 | 23,056 |
| <i>Deferred assessments</i> | 26,489 | (287) | 26,202 |
| Net cash provided by (used in) operating activities | <u>69,627</u> | <u>(53,825)</u> | <u>15,802</u> |
| Net increase (decrease) in cash and cash equivalents | 69,627 | (53,825) | 15,802 |
| Cash and cash equivalents - beginning of year | <u>197,106</u> | <u>191,572</u> | <u>388,678</u> |
| Cash and cash equivalents - end of year | <u><u>\$266,733</u></u> | <u><u>\$137,747</u></u> | <u><u>\$404,480</u></u> |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for income taxes | | | <u>\$4,919</u> |

See notes to the financial statements

Notes to the Financial Statements

December 31, 2010

Note 1 - Association and membership

Red Wolf Lakeside Lodge Owners Association, Inc. (the Association) was incorporated on October 11, 1995 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 Red Wolf Lakeside Lodge in Tahoe Vista, California. The Association is comprised of 1,377 Class A memberships for annual owners and Class B memberships for biennial owners. Annual memberships are entitled to two votes, and biennial memberships are entitled to one vote. Vacation interval sales commenced during July 1996.

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 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 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.

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 annual vacation membership owner was generally assessed \$812 for a two bedroom unit, \$741 for a one bedroom unit and \$668 for a studio unit, inclusive of the replacement fund assessment. Biennial vacation membership assessments are one-half of the annual membership assessment amount and can be used once every two years.

The 2011 annual assessments are \$832, \$759 and \$684, 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 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 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 available 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 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 (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 April 29, 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 - Developer subsidy

Effective January 1, 2000, the Developer, Sierra Tahoe Partners, LP (STP), a California limited partnership, formerly known as GPR Grant Wolf Financial Company, LLC, was responsible for assessments pertaining to unpurchased vacation plans. At December 31, 2009, the Board released the Developer of its assessment receivable owed to the Association, and the Association accepted a deed in lieu of all Developer inventory.

Note 4 - Related party

The Association retains Grant Wolf & Associates (GW&A), an affiliate of STP for printing services. Printing expenses incurred were \$19,292 for the year ended December 31, 2010 and are included with administration expenses. At December 31, 2010, the Association does not owe GW&A for services provided.

Note 5 - Management fee

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 fee budget is within guidelines established by the California Department of Real Estate. Management fees under this agreement were \$103,711 for the year ended December 31, 2010, of which, \$90,741 was allocated as fixed expenses under the operating fund and \$12,970 was 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 Directors and members 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 \$40,484 for services provided.

Note 6 - 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 \$800, 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 7 - Operating lease

Effective May 1, 1996, 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 initial term of the lease was ten years and was subsequently renewed for an additional five years, unless terminated in accordance with the lease agreement. The Association pays approximately \$876 per month (subject to annual increase of 10%) for the leased equipment and remits user charges in accordance with the agreement. Telephone expense of \$20,605 at December 31, 2010 included operating lease payments and charges incurred with long distance carriers.

Future minimum lease payments are as follows:

| <u>Year Ending December 31</u> | |
|--------------------------------|----------------|
| 2011 | <u>\$4,202</u> |

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 conducted repairs and replacements totaling \$142,666.

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 the inflation rate and interest rate are 3% and 1%, respectively.

| <u>Components</u> | <u>Estimated Remaining Life in Years</u> | <u>Estimated Current Replacement Costs</u> | <u>Recommended 2010 Funding Requirement</u> |
|------------------------|--|--|---|
| Buildings | 0-18 | \$767,174 | \$61,348 |
| Furniture and fixtures | 0-6 | <u>757,232</u> | <u>60,552</u> |
| Totals | | <u>\$1,524,406</u> | <u>\$121,900</u> |