

**A JOINT MEETING OF THE BOARDS OF DIRECTORS OF
THE BAY CLUB VACATION OWNERS ASSOCIATION, INC
AND THE
ASSOCIATION OF APARTMENT OWNERS
OF THE BAY CLUB AT WAIKOLOA BEACH RESORT, INC.**

November 16, 2010

1 A joint meeting of the board of directors of the Association of Apartment Owners of the Bay
2 Club at Waikoloa Beach Resort, Inc. (“AOAO”) and the board of directors of The Bay Club
3 Vacation Owners Association, Inc. (“VOA”) was held on November 16, 2010, at 9 a.m. Hawaii
4 time. Present were directors Russell Malkoske, James Desmond, Robert Ireland, Grant Ito and
5 David Christensen. Representing Hilton Grand Vacations Company were Robert Gunthner,
6 Glenn Okamoto, Shine DeLong, Kris Johnson, Jae Chung, Randy Piatt, Neil Hutchinson, Marc
7 Neu, Neil Peraza and Jim Eaton. Guests included Chris Van Ruiten of Comerica Securities and
8 Amy Sien representing the Kohola Coast Vacation Owners Association, Inc.

9
10 **Determination of Quorum**

11 With all of the Board members present, a quorum was established in accordance with the
12 association’s bylaws.

13
14 **Approval of Minutes**

15 The minutes from the September 16, 2010 meeting were provided to the Board in advance for
16 their review. Mr. Ireland made a motion to approve the minutes as presented; seconded, ***Motion***
17 ***carried.***

18
19 **Action Items**

20 Mr. Gunthner reviewed the action items from the prior meetings as follows:

- 21
22 ✓ Add all board members to the outlook calendar. ***Completed.***
23 ✓ Explore options to reward HGV to incentivize a reduction in operating fees ideas:
24 reduction in utilities costs, savings split, etc. ***After Board discussion with management,***
25 ***it was decided to not move forward with this program.***
26 ✓ Obtain a second bid for the proposed TecAmerica roof repairs. ***Second Bid site***
27 ***inspection has occurred. Recommendations presented in operations report.***
28 ✓ Send August RCI Scores out to the Board. ***Completed.***
29

30 **YTD Financial Statement**

31 Mr. Gunthner reviewed both the AOAO and VOA financial statements ending September 30,
32 2010 and the related individual department variance reports and answered questions. Mr.
33 Gunthner also reviewed the year to date collection rate of 93.2% for the refurbishment special
34 assessment.

35
36 **Reserve Expenses**

37 Mr. Gunthner reviewed the AOAO reserve expenses through September 30, 2010 of \$1,206,170
38 and the VOA reserve expenses through September 30, 2010 of \$6,059,572. As of the report, the
39 ending fund balance for the AOAO was \$543,406.65 and the ending fund balance for the VOA
40 was \$3,745,209.38

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1
2 **Accounts Receivable**

3 Mr. Peraza reviewed the accounts receivable graph through September 2010 and how it related
4 to past years. The receivables are trending in a positive direction.
5

6 **Investment Update**

7 Investment information dated October 31, 2010, was distributed to the Board at the meeting. Mr.
8 Peraza reviewed the Bank of Hawaii report and answered questions. At the time of the report the
9 VOA operating account had a fund balance of \$1,185,098, the VOA prepaid maintenance fee
10 account of \$1,611,720, the VOA reserve account of \$1,538,033 and the AOA reserve account
11 of \$291,923.
12

13 **Comerica Securities Investment Proposal**

14 Mr. Van Ruiten presented an investment proposal from Comerica Securities to provide
15 investment services for the association. After discussion, the Board decided to revisit the issue of
16 changing investment firms at a later date. This will be added to the agenda for the April 2011
17 meeting.
18

19 **2011 Operating and Reserve Budgets**

20 The proposed 2011 VOA and AOA operating and reserve budgets were distributed to the
21 Board members in advance of the meeting. Mr. Gunthner reviewed the maintenance fee history,
22 individual department budgets and answered questions.
23

24 **Assessment Billing Policy**

25 Mr. Malkoske opened discussion with the Board regarding the current assessment billing policy
26 that was approved by the Board at their November 19, 2009 meeting. After discussion, the Board
27 decided to take no further action and to leave the existing policy in place.
28

29 **Assessment Billing Letter**

30 Mr. Hutchinson reviewed and discussed the various components of the Assessment Billing letter.
31 Several changes were noted to the letter to be made prior to mailing.
32

33 **Budget Resolution**

34 After discussion of the AOA and VOA budgets, Mr. Desmond made a motion to approve the
35 following resolution; seconded, *Motion* carried.
36

37 **WHEREAS**, (i) the proposed 2011 VOA operating budget and AOA operating budget
38 (collectively the "Operating Budgets"), and (ii) the 2011 VOA capital reserve study and the
39 AOA capital reserve study prepared by Armstrong Consulting, Inc. dated July 23, 2010 for the

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1 Association (collectively the “Capital Reserve Studies”), were each presented to the Board prior
2 to the November 16, 2010 Board meeting; and
3

4 **WHEREAS**, the Board deems it advisable and in the best interest of the VOA and
5 AOA to approve the Operating Budgets and the Capital Reserve Studies, including the total
6 operating expenditures, individual operating fees, capital reserves for 2011 and individual annual
7 reserve funding; and
8

9 **WHEREAS**, the Board authorized Hilton Grand Vacations Development Company- Las
10 Vegas, LLC, as manager for the Association (“Manager”), in its sole discretion, to adjust
11 expenditure amounts for individual projects within the Capital Reserves as long as those
12 individual expenditures do not exceed and remain within the foregoing Capital Reserve approved
13 limits; and
14

15 **WHEREAS**, the Board approved and instructed Manager to adjust the balances in the
16 respective reserve accounts to match the reserve study balances at year-end and allow for the
17 transfer of reserve money from one reserve fund (i.e. roof) to another reserve fund (i.e. paving) at
18 the discretion of Manager; and
19

20 **WHEREAS**, the Board approved and instructed Manager to reimburse the Hilton Grand
21 Vacations project management team for expenses associated with the oversight, management and
22 completion of projects as outlined in the Study (approved reserve expenses to include project
23 management expense); and
24

25 **WHEREAS**, the Board approved and instructed Manager to facilitate the mailing of the
26 2011 annual maintenance fees to the members of the Association; and
27

28 **NOW, THEREFORE, BE IT RESOLVED**, that the Board hereby approves and adopts
29 in all respects the Operating Budgets and Capital Reserve Studies; and
30

31 **FURTHER RESOLVED**, that the Board hereby approves in all respects the total VOA
32 operating expenditures for 2011 of \$8,273,054; with individual annual maintenance fees of
33 \$1,163.91 (operating and reserve) for a “A” unit; \$1,102.03 (operating and reserve) for a “B”
34 unit; \$1,119.99 (operating and reserve) for a “A/B” unit; \$938.99 (operating and reserve) for a
35 “C/D” unit; \$1,291.68 (operating and reserve) for a “E/F” unit; and AOA operating
36 expenditures of \$2,387,571; with individual annual maintenance fees of \$15,099.72 (operating
37 and reserve) for an “A” unit; \$13,118.87 (operating and reserve) for a “B” unit; \$10,237.63
38 (operating and reserve) for a “C” unit; \$9,565.34 (operating and reserve) for a “D” unit;
39 \$17,512.76 (operating and reserve) for a “Villa” unit; and the funding of \$1,478,877 for the 2011
40 VOA Capital Reserve Study and total expenditure of \$5,389,729 for the various projects as

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1 outlined in the VOA Capital Reserve Study; the funding of \$270,304 for the 2011 AOA Capital
2 Reserve Study and total expenditure of \$571,670 for the various projects as outlined in the
3 AOA Capital Reserve Study; and authorized the Manager to adjust expenditure amounts for
4 individual projects within the Capital Reserves as long as those individual expenditures do not
5 exceed and remain within the Capital Reserve approved limits; and further approved and
6 instructed the Manager to facilitate the mailing of the 2011 annual maintenance fees to the
7 members of the Association.

8
9 The Board discussed approving an allocation of \$50,000 from the 2010 projected operating
10 surplus to the allowance for doubtful accounts. Mr. Ito made a motion to move \$50,000 of the
11 anticipated 2010 operating surplus to the 2010 allowance for doubtful accounts; seconded,
12 **Motion** carried.

13
14 **Audit Engagement Letter**

15 Mr. Hutchinson discussed the engagement letters presented by Meyers, Brettholtz & Company,
16 PA. for auditing services for both the AOA and VOA in 2010, 2011 and 2012. Mr. Ito made
17 the motion to accept the proposal for both the AOA and VOA as presented and to have the
18 Board president sign the engagement letters on behalf of the Association; seconded, **Motion**
19 carried.

20
21 **Operations Report**

22 Mr. Gunthner discussed various projects including the ongoing unit refurbishment, the recently
23 completed renovation of the resorts water feature including new landscaping, reducing the size of
24 the water feature itself and addition of a putting green and children's play area. Other projects
25 reviewed were future renovation of the housekeeping area, implementing further recycling
26 efforts and energy conservation ideas. Discussion was held on the resort pass program with the
27 Kings' Land resort and the Hilton Waikoloa Village hotel which is offering a new 3 day pass and
28 different golf course use and access programs.

29
30 Mr. Gunthner reviewed the additional roof repair proposal from Kohala Roofing in addition to
31 waiting on a revision from TectaAmerica to their original proposal. Torres Roofing failed to
32 supply a proposal. After discussion, Mr. Ireland made the motion to wait on the revised bid from
33 TectaAmerica and if within \$5,000 of the existing bid from Kohala roofing, to move forward
34 with TectaAmerica; seconded, **Motion** carried.

35
36 Mr. Okamoto discussed the year-to-date SALT and RCI scores.

37
38 **Next Board and Annual Meetings**

39 The Board reviewed the agenda's, assignments and election of officers meeting for the next
40 day's AOA and VOA annual meetings.

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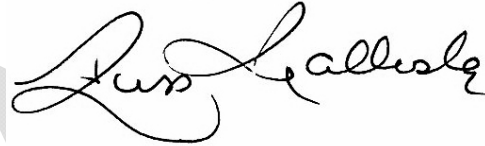
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1
2 The next joint Board meeting was set as a teleconference call for April 21, 2011 at 10 a.m.
3 Hawaii time.

4
5 **Adjournment**

6 Mr. Desmond made a motion to adjourn; seconded, *Motion* carried.

7
8 Minutes prepared by Marc Neu

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11


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13
14 _____
15 Russell Malkoske, Secretary
16
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