



The Imperial Hawaii Vacation Club 2022 Budget Presentation

| Club Budget | |
|--------------------------------------|-------------------|
| Revenue | IHVC |
| Assessment Income - Operations | 8,003,733 |
| Hotel (FIT) Income | 4,715,305 |
| Front Office Income | 890,248 |
| Interest/Fees Income | 405,793 |
| Administration Income | 543,771 |
| Other Income | 526,322 |
| Tax Collected | 1,048,337 |
| Total Revenue | 16,133,509 |
| Expenses | |
| Reservations & Marketing Expenses | 1,011,514 |
| Administration Expenses | 507,465 |
| Front Office Expenses | 1,542,254 |
| Housekeeping Expenses | 2,929,816 |
| Repairs & Maintenance Expenses | 943,364 |
| Accounting Department Expenses | 378,923 |
| Employer's Taxes & Burdens | 521,645 |
| Office Expenses | 207,355 |
| In-Suite Expenses | 327,292 |
| Other Project Expenses | 160,179 |
| Utility Expenses | 270,189 |
| Bank and Credit Card Fees | 111,815 |
| Insurance Expenses | 257,751 |
| Professional Expenses | 165,422 |
| Taxes/Pass Through Expenses | 2,413,722 |
| Waiver/Write Off Expenses | 315,656 |
| Depreciation Expense | 243,744 |
| Allowance & Extraordinary | 124,000 |
| Master Association Assessments | 3,304,334 |
| Sub-Total Expenses | 15,736,440 |
| Total Net Revenue From Above | 16,133,509 |
| Earnings (Loss) before Income Tax | |
| Expense | 397,069 |
| Income Tax Expenses | (100,000) |
| Income (Loss) From Operations | 297,069 |
| 2022 Reserve Funding | |
| Reserve Interest Income | 840 |
| Reserve Income | 0 |
| Reserve Expense | (100,000) |
| Total Net Reserve Change | (99,160) |

| Master Association Budget | |
|--------------------------------------|------------------|
| Revenue | AOAO |
| Assessment Income - Operations | 4,113,689 |
| Interest/Fees Income | 240 |
| Other Income | 66,820 |
| Tax Collected | 1,696 |
| Total Revenue | 4,182,445 |
| Expenses | |
| Housekeeping Expenses | 175,063 |
| Repairs & Maintenance Expenses | 221,311 |
| Other Project Expenses | 65,450 |
| Utility Expenses | 1,718,252 |
| Bank Fees & Expenses | 5,661 |
| Insurance Expenses | 267,503 |
| Administration Expenses | 569,394 |
| Professional Expenses | 110,850 |
| Taxes/Pass Through Expenses | 1,070,130 |
| Waiver/Write Off Expenses | 134,637 |
| Depreciation Expense | 15,621 |
| Allowance and Extraordinary Exp | - |
| Sub-Total Expenses | 4,353,872 |
| Total Net Revenue From Above | 4,182,445 |
| Earnings (Loss) before Income Tax | |
| Expense | (171,427) |
| Income Tax Expenses | (20,000) |
| Income (Loss) From Operations | (191,427) |
| 2022 Reserve Funding | |
| Reserve Interest Income | 600 |
| Reserve Income | - |
| Reserve Expense | (90,020) |
| Total Net Reserve Change | (89,420) |

Assessment is Due January 1, 2022

The 2022 Assessment is a 2.5% increase over the 2021 Assessment

THE IMPERIAL HAWAII VACATION CLUB - 2022 ASSESSMENT

Annual Assessments are Due and Payable by January 1, 2022. A 5% Cash Discount is only available for payments made by check, cash or money order and must be received in our office no later than November 30, 2021. Thereafter, only a 3% Cash Discount is available for payments made by check, cash or money order and must be received in our office no later than December 31, 2021.

| Unit Type | Total Assessment | Unit Type | Total Assessment |
|-----------|------------------|-----------|------------------|
| Ohia = | \$ 840.43 | Ohia = | \$ 798.41 |
| Banyan = | \$ 1,261.64 | Banyan = | \$ 1,198.56 |
| Palm = | \$ 1,337.14 | Palm = | \$ 1,270.28 |
| Koa = | \$ 1,374.89 | Koa = | \$ 1,306.15 |
| Hala = | \$ 1,565.62 | Hala = | \$ 1,487.34 |
| | | | |
| Unit Type | Total Assessment | Unit Type | Total Assessment |
| Ohia = | \$ 840.43 | Ohia = | \$ 815.22 |
| Banyan = | \$ 1,261.64 | Banyan = | \$ 1,223.79 |
| Palm = | \$ 1,337.14 | Palm = | \$ 1,297.03 |
| Koa = | \$ 1,374.89 | Koa = | \$ 1,333.64 |
| Hala = | \$ 1,565.62 | Hala = | \$ 1,518.65 |

A Message to our Owners

PRESIDENT'S ANNUAL MESSAGE

The IHVC Board of Directors has again approved the "Early-Bird" discount of 5% to be applied to your 2022 Assessment(s) paid by CASH, CHECK or MONEY ORDERS **received at the Imperial on or before November 30, 2021**. Assessment payments made by CASH, CHECK or MONEY ORDER and received December 1 through December 31, will receive the standard 3% discount as in past years. It is important that IHVC members do not delay remitting their 2022 assessments to take advantage of the special 5% discount being offered for CASH, CHECK or MONEY ORDER in the month of November 2021. The special 5% discount approved by the IHVC Board of Directors for timely cash payments is in recognition that many members may have experienced some potential hardships during the Covid-19 pandemic. **Owners taking advantage of either of the cash discounts being offered will pay less than the basic assessment billed last year 2021.**

The 2022 Assessment increase of 2.5% is lower than anticipated inflation due to anticipated expense discipline and controls. The Assessment increase of 2.5% is extremely conservative based on budgeted increased cost of supplies and goods of between 5% to 7% as compared to 2021 and includes the rolling 3-year Union labor costs increases previously announced in 2019. Looking forward we anticipate 2022 inflation to be above 4%. Currently the September 2021 year over year Consumer Price Index is 5.4% and the just announced Producers Price Index (wholesale price indicator) increased 8.6%. But there is good news for retirees; the Social Security Administration just announced a 5.9% Cost of Living Increase for all 2022 recipients. All are significant indicators of cost increases in every sector of the economy. However, our Staff continues to strive earnestly to keep service and supply costs as low as possible without adversely affecting Imperial's quality of accommodations and guest services.

The Imperial has managed financial resources efficiently throughout the continued 2021 Covid-19 crisis by minimizing operating expenses and deferring capital project expenses. Managing IHVC cash resources along with the AOA has allowed the Imperial Resort to maintain its successful operation and complete 2021 with an expected small operating cash balance but with some deferred liabilities remaining which are being addressed. The IHVC does not have any third-party loan obligations. Some employees continued to be furloughed during 2021 when occupancy rates were again low due to Covid-19 restrictions. We continued to compassionately assist with employee's health care costs where eligible.

We have deferred all planned capital projects until 2023 or beyond except for any projects requiring immediate attention for health and safety. We expect a capital expense reserve fund balance of about \$1.5 million on December 31, 2021. The 2022 budget does not include a 2022 contribution to the capital reserve fund; however, this cannot be deferred indefinitely. Please see the attached IHVC 2022 Budget attached for additional information.

The imposed Covid-19 travel restrictions which began in March 2020 and have continued in one form or another until the time of this writing but may soon be relaxed or removed in time for winter holiday travels. This will be a welcome development for all Owners and vacationers. As we anticipate further relaxed restrictions, I want to again commend the Imperial Staff for their initial

response to the crisis that evolved in the hospitality industry. Throughout 2021, our Staff used every opportunity to advance the name and image of the Imperial as a quality timeshare and hotel via social media. During this time when travel to Hawaii was down 90% from pre-Covid restrictions, our Staff initiated programs for "Staycations" to attract Hawaii state residents to the Imperial while many other hotels closed entirely. This "Local" opportunity advantage generated some income to cover expenses and contribute to fixed cost overheads during 2021. The Treasurer's report outlines the cash flow monitoring the Boards use during the last 21 months to maintain viable operations.

2022 will be another year of challenges but the Staff and I are totally dedicated to successfully managing the Imperial Resort within the approved budget for 2022 and providing you with the best vacation experience the state of Hawaii can offer. I hope to see you soon and wish everyone safe travels.

Aloha to All,
J. Preston James, IHVC President

FROM THE TREASURER

After the horrendous 2020 Covid-19 year, the most recent Covid-19 Delta variant wave had once again reduced travel to Hawaii, in addition to a decline in more business opportunities. Occupancy was low in the early months however, by July our occupancy reached in excess of 70% or greater and we are pleased at how the resort has recovered in 2021. Looking at things optimistically, the increase in vaccinations particularly in Hawaii, looks to be on track to allow "business as usual" in the state. Throughout this pandemic period, we have been constantly monitoring expenses using cash flow analysis on a monthly basis. With the furlough of employees in 2020, employees were brought back as needed in 2021, in addition to placing a stop on reserve expenditures. Our current 2021 analysis on income and expenses shows a manageable profit.

For the 2022 budget, the Board of Directors along with Management, approved an assessment increase of 2.5%, equivalent to the 2021 assessment increase. The assessment is based on 6,391 paying memberships which will provide a little over \$8 million of our total \$15.5 million total income; identical to last year's budget. Due to the uncertain economy, we did not levy a reserve fund contribution for 2022. Together, we will continue to work diligently with Management to monitor expenditures.

In consideration of the continued impact Covid-19 has on our Owners, the Board has approved a five (5) % discount on Cash, Check or Money order payments received on or before November 30, 2021. Cash, Check or Money Order payments received December 1 through December 31, 2021 will qualify for a three (3) % discount. Payments received after January 1, 2022 will not qualify for any discounts.

John A. Tokarcsik, IHVC Treasurer

2022 BOARD CANDIDACY STATEMENTS

The 2022 Annual General Meeting will be held on Tuesday, March 8, 2022. There are two (2) AOA and two (2) IHVC Board positions to be filled. Please let us know if you are interested in running for either the IHVC and/or the AOA Board by submitting a candidate statement of 100 words or less stating your qualifications. We are seeking applicants, who, first and foremost are regular vacationers at The Imperial Hawaii Vacation Club. Whether your background is in accounting, business management, engineering or marketing, you must work well in a team environment and be prepared to represent the best interest of all owners. This requires a significant time commitment in attending board and committee teleconference meetings. Your candidate statement must be received at The Imperial by Monday, January 3, 2022 on or before 4:30 PM (HST) in order for your name to be placed on the Proxy and Ballot and for your 100 word statement to be printed in the newsletter. Additionally, to be fair to all candidates, if a statement is longer than 100 words, we will only print the first 100 words. You may also send a more complete resume to be disseminated to owners who request more information regarding your qualifications. You may send your 100 word statement and a more complete resume to The Imperial's mailing address or to the Imperial's Executive Assistant at msales@imperialofwaikiki.com.