

December 5, 2018

Dear Marriott's Desert Springs Villas II Owner:

The minutes are being distributed to Owners as outlined in the Desert Springs Villas II Timeshare Association Declaration Article IV Management, Section 4.2 (o).

The Disclosure Statement and Insurance Summary is being distributed to Owners as required by California Civil Codes 5300 and 5310, and as outlined in the Desert Springs Villas II Timeshare Association Declaration Article IV Management, Section 4.2 (o); and the Desert Springs Villas Master Association Bylaws Article III, Section 3.4(h) Budgets and Financial Statements.

Please also consider opting-in to receive mailings required by the Association's governing documents or applicable law via electronic transmission through an email address. Examples of required mailings may include: notices of meetings, financial statements, budgets and amendments to the governing documents.

In order to receive these items by electronic transmission, Owners must first explicitly provide consent (or "opt-in"). Consent to receive required mailings by electronic transmission is effective unless it is revoked at a later time.

To opt-in, log into your Owner account on MarriottVacationClub.com. Click on "Account", click on "Profile", click on "Register for Online Document Notification". Edit Settings.

For questions, please contact me by phone at 760-779-1201 or by email at MVCownerboard.desertspringsvillas@vacationclub.com.

Sincerely,

Bill Gunderson

General Manager

Marriott's Desert Springs Villas

Desert Springs Villas Master Association

Board of Directors Meeting

October 18, 2018

A regular meeting of Desert Springs Villas Master Association Board of Directors was held on October 18, 2018, at Marriott's Desert Springs Villas, Hummingbird Meeting Room, 1091 Pinehurst Lane, Palm Desert, California 92260.

Present from the Board of Directors were: Ronald Horwitz, President; Sverre Thomassen, Jr., Vice President; Robert Gallagher, Secretary/Treasurer; Shelley Chamberlain, Director; Thomas Cook, Director; Thomas Corridan, Director; Sharon August Jones, Director; Joseph Lawrence, Director; James Masterson, Director and Benjamin Steinberg, Director

Present from Marriott Vacation Club® International, representing the Management Company, were: Jane Berg, Regional Vice President-West; Nermine Demopoulos, Vice President of Insurance Risk Management; Suzette Ellebracht, Project Manager; Matt Gardell, Director of Finance; Bill Gunderson, General Manager; Linda Knaust, Director of Guest Relations; Glenn Knorr, Director of Engineering; Maribel Santibanez-Moya, Senior Assistant Controller; Tanner Newton, Director of Operations; H.C. Noll, Front Office Manager; Scott Wilkerson, Regional Director of Finance-West and Mary Ann Chavez, Executive Assistant

CALL TO ORDER

Ronald Horwitz, President, called the meeting to order at 8:00 a.m., Pacific time.

Overview of Senate Bill Section 4900, est. seq. (Open Meeting Act) of California Civil Code
Mr. Horwitz reviewed the Davis-Stirling Act, Section 4900, (Open Meeting Act).

ESTABLISHMENT OF QUORUM

With all Board Members present, quorum was met.

APPOINTMENT OF RECORDING SECRETARY

Mr. Horwitz appointed Mary Ann Chavez to serve as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETING

Notice of Board Meeting was emailed to all Board Members on September 17, 2018, as required by the Association Bylaws.

APPROVAL OF AGENDA

A motion was made by Robert Gallagher to approve the Agenda as presented. The motion was seconded by Shelley Chamberlain and unanimously carried.

APPROVAL OF BOARD OF DIRECTORS MEETING MINUTES

A motion was made by Sharon August Jones to approve the May 17, 2018 Board Meeting Minutes as presented. The motion was seconded by Robert Gallagher and unanimously carried.

A motion was made by Robert Gallagher to approve the May 18, 2018 Organizational Meeting Minutes as presented. The motion was seconded by Sverre Thomassen, Jr., and unanimously carried.

A motion was made by Robert Gallagher to accept the July 27, 2018 California Legislative Committee Meeting Minutes as presented. The motion was seconded by Benjamin Steinberg and unanimously carried.

A motion was made by Robert Gallagher to accept the September 24, 2018 California Legislative Committee Meeting Minutes as presented. The motion was seconded by Benjamin Steinberg and unanimously carried.

A motion was made by Robert Gallagher to accept the August 9, 2018 Board Meeting Minutes as presented. The motion was seconded by Benjamin Steinberg and unanimously carried.

A motion was made by Robert Gallagher to accept the August 29, 2018 Special Board Meeting Minutes as presented. The motion was seconded by Benjamin Steinberg and unanimously carried.

ACTION ITEM

Sverre Thomassen, Jr., presented an update on American Resort Development Association (ARDA) activities.

FINANCIAL REPORT

Investment Committee Report

Mr. Horwitz presented an update on the Investment Committee Meeting. The Investment Committee agreed to recommend the Board of Directors continue the current Association Investment Policy with the March Group of Wells Fargo during 2019.

A motion was made by Ronald Horwitz to continue to engage the March Group of Wells Fargo as the Desert Springs Villas Master Association's investment group. The motion was seconded by Robert Gallagher and unanimously carried.

Acceptance of August 6, 2018 Investment Committee Meeting Minutes

A motion was made by Ronald Horwitz to accept the August 6, 2018 Investment Committee Meeting Minutes. The motion was seconded by Robert Gallagher and unanimously carried.

Matthew Gardell presented an update on the investment yield. Highlights included:

- Current investment yield for the Operating Fund is 1.60%
- Current investment yield for the Reserve Fund is 1.53%

Current Financials and Year-End Forecast

Mr. Gardell reviewed current financials and year-end forecast. Highlights included:

- The 2018 year-end forecasted Operating Fund balance projects a total excess of \$2,016; variances include Investment Interest in the amount of \$11,000, Gas in the amount of \$24,000, Electric in the amount of (\$15,000) and Transportation in the amount of (\$12,000).

California Legislative Committee

Shelley Chamberlain presented an update on California Legislative Committee Meetings.

Scott Wilkerson reviewed certain provision of legislation, including:

- Section 5673, Section 5665, Section 5650, Section 2912, Section 4525 and collection of late fees
- California Assembly Bill 2912 – Association Finances
 - Mr. Wilkerson explained financial documents are to be reviewed monthly; the documents will be provided to the Board via Boardvantage for review

The Board approved and appointed the Association President and Secretary/Treasurer to review and approve wire transfers of association funds.

- Collection of Owner Late Payment of Fees
 - Mr. Wilkerson noted a section of the governing documents that addresses a late fee charge for non-payment of maintenance fees in a timely manner.

A motion was made by Shelley Chamberlain to approve the Charges for Documents Provided for the Desert Springs Villas Master Association as required by Section 4528 of the California Civil Code. The fee for each document is \$20.00. The motion was seconded by Thomas Cook and unanimously carried.

Charges for Documents Provided as Required by Section 4525

Mr. Wilkerson provided information regarding Charges for Documents Provided.

A motion was made by Shelly Chamberlain to approve the Charges for Documents Provided for Desert Springs Villas Master Association as required by Section 4528 of the California Civil Code. The fee for each document is \$20.00. The motion was seconded by Thomas Cook and unanimously carried.

- Collection of Owner Late Payment of Fees
 - Mr. Wilkerson reviewed the governing documents that provide for a late fee charge for non-payment of maintenance fees in a timely manner.

The Board may decide to enforce a dual late fee charge of \$25 for Desert Springs Villas Master Association and \$25 for Desert Springs Villas Timeshare Association and/or Desert Springs Villas II Timeshare Association, for a total of \$50 as documented in the Association Bylaws.

2019 INSURANCE

Nermine Demopoulos reviewed the Association's insurance coverage, including property insurance, general liability and Association Director and Officers liability insurance.

RESERVES

2018 Reserves

Suzette Ellebracht reviewed 2018 Reserves. Highlights included:

- Upgraded Cascade Fountain
- Remodeled Clubhouse breakroom
- Replacement of a Key Tracer
- 5-year replacement of Clubhouse pool furniture
- Replacement of forklift
- Replacement of Engineering, Housekeeping and Loss Prevention utility service carts
- Replacement of guest shuttle bus
- Replacement of guest minivan
- Replacement of Loss Prevention vehicle

Ms. Ellebracht requested the Board consider approving additional 2018 Reserve expenses totaling \$9,225 as follows:

- | | |
|--|---------|
| ▪ Replacement of the Waters Edge hood vent | \$6,010 |
| ▪ Replacement of Palmeras Pool filters | \$3,215 |

A motion was made by Robert Gallagher to approve the additional 2018 Reserve Expenditures in the amount of \$9,225. The motion was seconded by Shelley Chamberlain and unanimously carried.

2019 Reserves

Ms. Ellebracht reviewed the 2019 Reserves. Highlights included:

- | | |
|--|-----------|
| ▪ Upgrade Palmeras deck and pool | \$945,450 |
| ▪ Purchase defibrillator | \$10,231 |
| ▪ Purchase distribution panel for exterior of Clubhouse Pool | \$9,612 |
| ▪ Purchase Palmeras Pool sand filter | \$28,836 |
| ▪ Purchase Clubhouse Pool sand filter | \$3,298 |
| ▪ Purchase Palmeras Pool sand filter | \$3,298 |
| ▪ Purchase Palmeras Pool furniture | \$295,012 |
| ▪ Purchase laundry bins for Phase 2 | \$24,720 |
| ▪ Upgrade Palmeras Pool lighting | \$30,000 |
| ▪ Paint Palmeras Pool building exterior | \$18,788 |
| ▪ Install two lifts at Palmeras Pool | \$4,802 |
| ▪ Plaster Palmeras Pool | \$127,000 |
| ▪ Upgrade Palmeras Pool pump equipment | \$14,041 |
| ▪ Plaster spa at Palmeras Pool | \$68,000 |
| ▪ Replace Palmeras Pool shade structure fabric | \$22,055 |
| ▪ Replace Palmeras Pool shade structure frame | \$103,000 |
| ▪ Replace Palmeras Pool area signage | \$23,147 |

- | | |
|--|-----------|
| ▪ Replace Housekeeping Truck 11 (Ford F-150) | \$25,000 |
| ▪ Replace Housekeeping Truck 12 (Ford F-150) | \$25,000 |
| ▪ Replace Palmeras Pool umbrellas | \$94,000 |
| ▪ Replace 12 Housekeeping utility carts | \$101,995 |

A motion was made by Robert Gallagher to approve the 2019 Reserve Fund Projects for a total amount of \$1,977,285. The motion was seconded by Shelley Chamberlain and unanimously carried.

Future Reserves

Ms. Ellebracht reviewed future Reserve projects. Highlights included:

- 5-year soft goods upgrade in Activities
- Upgrade Clubhouse Pool
- Upgrade lobby patio furnishings
- Paint Clubhouse exterior
- Upgrade resort entry
- Replace Fitness Center equipment
- Renovate Palmeras Pool bathrooms
- Paint Operations Building exterior

Acceptance of 2018 Armstrong Consulting 3-Year Reserve Study

A motion was made by Sharon August Jones to accept the 2018 Reserve Study as provided by Armstrong Consulting. The motion was seconded by Joseph Lawrence and unanimously carried.

PROPOSED 2019 BUDGET AND MAINTENANCE FEE

Bill Gunderson presented an overview of the 2019 Budget including a synopsis of the competitive landscape in the Coachella Valley, 2018 hiring trends, associate retention and unemployment rate in California and Coachella Valley.

Mr. Gardell presented the Management Company’s proposed 2019 Budget and Maintenance Fee which included:

- 2019 Operating Fee of \$71.48, compared to \$68.66 in 2018
- 2019 Reserve Fee of \$46.98, compared to \$42.32 in 2018

A motion was made by Robert Gallagher to approve the 2019 Desert Springs Villas Master Association Annual Budget presented by the Management Company, with a reduction in the Operating Fee from 6.7% to 4.0%, resulting in an Operating Fee of \$68.44 and Reserve Fee of \$46.98, for a total Maintenance Fee of \$115.42 and a total budget of \$3,754,626, including each line item thereof, as attached to the minutes. The motion was seconded by Sharon August Jones and unanimously carried.

RESORT OPERATIONS REPORT

Tanner Newton presented the Resort Operations report. Highlights included:

- As of September 2018, Guest Satisfaction Scores are higher than 2017
- Summer events for both Activities and Food and Beverage were reviewed

NEW BUSINESS

Announcement of Next Meeting Dates

- Board Meeting (conference call) – February 14, 2019
- Board Meetings – May 16-17, 2019
- Board Meeting (conference call) – August 8, 2019
- Board Meetings – October 17-18, 2019
- Board Meeting (conference call) - February 9, 2023
- Board Meetings – May 18-19, 2023
- Board Meeting (conference call) – August 10, 2023
- Board Meetings – October 19-20, 2023

A motion was made by Robert Gallagher to approve the meeting dates for 2019 through 2023. The motion was seconded by Shelley Chamberlain and unanimously carried.

ADJOURNMENT

There being no further business to come before the Board, a motion was made by Sverre Thomassen, Jr., to adjourn the meeting at 12:20 p.m. The motion was seconded by Benjamin Steinberg and unanimously carried.

Submitted by:

Approved by:

Mary Ann Chavez
Recording Secretary

Date

Ronald Horwitz
President

Date

These minutes are subject to approval at the next Board of Directors Meeting

DESERT SPRINGS VILLAS MASTER ASSOCIATION

2019 Estimated Operating Budget

For The Period Beginning January 1, 2019 And Ending December 31, 2019

(638 Subdivision Interests)

	2018 BUDGETED EXPENSES	2019 APPROVED BUDGET	2018 BUDGET VS 2019 BUDGET INCREASE/(DECREASE)		PER SUBDIVISION INTEREST	PER TIMESHARE INTEREST* (32,538 Interests)	PER ALTERNATIVE TIMESHARE INTEREST
	\$	\$	\$	%	\$	\$	\$

Revenue							
Maintenance Fee	3,611,751	3,754,626	142,875	4.0%	5,884.99	115.39	57.70
Bank/Investment Interest	2,493	18,938	16,445	659.6%	29.68	0.58	0.29
Late Fees	0	90,000	90,000	100.0%	141.07	2.77	1.38
Maintenance Fee Interest Income	10,255	12,281	2,026	19.8%	19.25	0.38	0.19
Miscellaneous Income	63,008	65,229	2,221	3.5%	102.24	2.00	1.00
Total Maintenance Fee Revenue	3,687,507	3,941,074	253,567	6.9%	6,177.23	121.12	60.56

Expenses							
Accounting	70,795	81,678	10,883	15.4%	128.02	2.51	1.26
Administration	188,995	195,777	6,782	3.6%	306.86	6.02	3.01
Audit Fee	11,802	11,998	196	1.7%	18.81	0.37	0.18
Bad Debt Expense	35,315	35,316	1	0.0%	55.35	1.09	0.54
Board of Directors	16,757	16,976	219	1.3%	26.61	0.52	0.26
Consulting Expense - Reserve Study	5,225	0	(5,225)	(100.0%)	0.00	0.00	0.00
Contingency	0	0	0	0.0%	0.00	0.00	0.00
Credit Card Fee	45,853	48,647	2,794	6.1%	76.25	1.50	0.75
Electricity	222,293	228,256	5,963	2.7%	357.77	7.02	3.51
Gas	69,356	47,765	(21,591)	(31.1%)	74.87	1.47	0.73
Housekeeping	446,226	471,723	25,497	5.7%	739.38	14.50	7.25
Income Tax	1,095	8,692	7,597	693.8%	13.62	0.27	0.13
Insurance	90,027	111,777	21,750	24.2%	175.20	3.44	1.72
Landscape / Grounds	43,641	44,079	438	1.0%	69.09	1.35	0.68
Legal	5,010	5,010	0	0.0%	7.85	0.15	0.08
Maintenance	214,499	223,455	8,956	4.2%	350.24	6.87	3.43
Management Fee	328,341	341,330	12,989	4.0%	535.00	10.49	5.25
Pest Control	7,656	8,004	348	4.5%	12.55	0.25	0.12
Postage and Printing	11,357	11,861	504	4.4%	18.59	0.36	0.18
Refuse Collection	21,540	21,032	(508)	(2.4%)	32.97	0.65	0.32
Transportation	455,197	471,288	16,091	3.5%	738.70	14.48	7.24
Water and Sewer	19,379	27,776	8,397	43.3%	43.54	0.85	0.43
Operating Fee	2,310,359	2,412,440	102,081	4.4%	3,781.25	74.14	37.07

Reserve Fee ¹	1,377,148	1,528,634	151,486	11.0%	2,395.98	46.98	23.49
Operating and Reserve Fee	3,687,507	3,941,074	253,567	6.9%	6,177.23	121.12	60.56

Total Maintenance Fee	3,611,751	3,754,626	142,875	4.0%	5,884.99	115.39	57.70
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* The Desert Springs Villas Master Project, for which the Desert Springs Villas Master Association is the governing body, is comprised of 638 total Subdivision Interests, of which (i) 236 such Subdivision Interests are part of the Desert Springs Villas timeshare project, which has 51 owners in each of such 236 Subdivision Interests for a total of 12,036 timeshare interests, and (ii) 402 such Subdivision Interests are part of the Desert Springs Villas II timeshare project, which has with 51 owners in each of such 402 Subdivision Interests for a total of 20,502 timeshare interests.

Desert Springs Villas II Timeshare Association

Board of Directors Meeting

October 19, 2018

A regular meeting of Desert Springs Villas II Timeshare Association Board of Directors was held on October 19, 2018, at Marriott's Desert Springs Villas, Hummingbird Meeting Room, 1091 Pinehurst Lane, Palm Desert, California 92260.

Present from the Board of Directors were: Benjamin Steinberg, President; Sharon August Jones, Secretary/Treasurer; Ronald Horwitz, Director and Sverre Thomassen, Jr., Director

Absent from the Board of Directors was: Thomas J. Corridan, Vice President

Present from Marriott Vacation Club® International, representing the Management Company, were: Jane Berg, Regional Vice President-West; Suzette Ellebracht, Project Manager; Matt Gardell, Director of Finance; Bill Gunderson, General Manager; Linda Knaust, Director of Guest Relations; Glenn Knorr, Director of Engineering; Maribel Santibanez-Moya, Senior Assistant Controller; Tanner Newton, Director of Operations; Scott Wilkerson, Regional Director of Finance-West and Mary Ann Chavez, Executive Assistant

CALL TO ORDER

Benjamin Steinberg, President, called the meeting to order at 8:05 a.m., Pacific time.

Overview of Senate Bill Section 4900, est. seq. (Open Meeting Act) of California Civil Code
Mr. Steinberg reviewed the Davis-Stirling Act, Section 4900, (Open Meeting Act).

ESTABLISHMENT OF QUORUM

With a majority of Board Members present, quorum was met.

APPOINTMENT OF RECORDING SECRETARY

Mr. Steinberg appointed Mary Ann Chavez to serve as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETING

Notice of Board Meeting was emailed to all Board Members on September 17, 2018, as required by the Association Bylaws.

APPROVAL OF AGENDA

A motion was made by Sverre Thomassen, Jr., to approve the Agenda as presented. The motion was seconded by Ronald Horwitz and unanimously carried.

APPROVAL OF BOARD OF DIRECTORS MEETING MINUTES

A motion was made by Sharon August Jones to approve the May 17, 2018 Board Meeting Minutes as presented. The motion was seconded by Sverre Thomassen, Jr., and unanimously carried.

A motion was made by Ronald Horwitz to approve the May 18, 2018 Organizational Meeting Minutes as presented. The motion was seconded by Sverre Thomassen, Jr., and unanimously carried.

A motion was made by Sverre Thomassen, Jr., to accept the August 29, 2018 Board of Directors Special Meeting Minutes as presented. The motion was seconded Sharon August Jones and unanimously carried.

FINANCIAL REPORT

Investment Committee

Ron Horwitz presented an update on the Investment Committee Meeting. The Investment Committee decided to continue the current Association Investment Policy with the March Group of Wells Fargo during 2019.

A motion was made by Ronald Horwitz to continue to engage the March Group of Wells Fargo as the Desert Springs Villas Master Association's investment group. The motion was seconded by Sverre Thomassen, Jr., and unanimously carried.

California Legislative Committee

Scott Wilkerson presented an update on the California Legislative Committee Meetings. Highlights included:

- California Assembly Bill 2912 pertaining to Association finances. Financial documents are required to be reviewed monthly, the documents will be provided to the Board via Boardvantage for review.

The Board appointed the President and Secretary/Treasurer of Desert Springs Villas II Timeshare Association to review the documents monthly.

Current Financial and 2018 Year-End Forecast

Matt Gardell reviewed current financials and 2018 year-end forecast. Highlights included:

- A surplus of \$330,000 is projected in the 2018 year-end forecasted Operating Fund; variances include Investment Interest/Miscellaneous Income in the amount of \$78,000; Insurance in the amount of \$87,000; Housekeeping in the amount of \$66,000 and Water and Sewer in the amount of (\$33,000).

Accounts Receivable

Mr. Gardell reviewed accounts receivable. Highlights included:

As of September 2018, accounts receivable was 1.48%, which compared favorably to the average of unpaid maintenance fees for Marriott Vacation Club.

RESERVES

2018 Reserves

Suzette Ellebracht reviewed 2018 Reserves. Highlights included:

- Installed air conditioning compressor and air handler in Phase 3
- 10-year replacement of appliances in Phase 3 for 138 villas
- 10-year replacement of case goods
- 5-year replacement of soft goods
- 20-year replacement of closet doors
- 10-year upgrade of water heaters
- Upgraded landscape lighting
- Upgraded internet head end and air-condition room
- Upgraded fire life safety
 - Installed Fire Department connections
- Installed garbage enclosure gates
- Replaced villa building and directional signs

Ms. Ellebracht requested the Board consider approving additional 2018 Reserve expenses totaling \$543,611 as follows:

▪ Upgrade closet doors in Phase 3	\$25,386
▪ Upgrade case goods in Phase 3	\$189,644
▪ Upgrade soft goods in Phase 3	\$167,000
▪ Upgrade water heaters in Phase 3	\$25,730
▪ Upgrade internet head end and air-condition room	\$30,000
▪ Purchase Jasmine Court lobby guest computers	\$5,693
▪ Install safety grab bars	\$84,500
▪ Purchase and install pool pumps	\$1,450
▪ Install trash enclosure gates	\$13,850
▪ Purchase vacuum cleaners for Phase 3	\$358

A motion was made by Sharon August Jones to approve additional 2018 Reserve Expenditures in the amount of \$543,611. The motion was seconded by Ronald Horwitz and unanimously carried.

2019 Reserves

Ms. Ellebracht reviewed 2019 Reserves. Highlights included:

▪ 5-year refurbishment professional fees for Phase 1	\$78,900
▪ Purchase access phone for Jasmine Court entrance	\$6,179
▪ Purchase attic stock	\$43,702
▪ Purchase and install carpet for Back of House and Learning Center	\$11,610
▪ Paint fence perimeter	\$142,750
▪ Replace Jasmine Court Clubhouse exterior lights	\$5,492
▪ Replace Cassia Pool exterior lights	\$3,373
▪ Replace Mesquite Pool lights	\$3,742
▪ Purchase Jasmine Court pool umbrellas	\$27,759
▪ Replace various pool pumps and filters	\$38,557
▪ Replace Cassia Pool water heater in pump room	\$3,600
▪ Professional design fees	\$146,316
▪ Upgrade Jasmine Pool putting green	\$31,029
▪ Install Jasmine Court monument sign	\$21,500
▪ Purchase Cassia Pool umbrellas	\$6,736
▪ Purchase Mesquite Pool umbrellas	\$6,736
▪ Replace Jasmine Court Pool cooler	\$18,526
▪ Resurface Cassia Pool deck	\$115,000
▪ Resurface Jasmine Court Pool deck	\$201,554
▪ Resurface Mesquite Pool deck	\$125,000
▪ Install two pool lifts at Jasmine Court, Cassia and Mesquite Pools	\$27,763
▪ Plaster spa at Cassia Pool	\$5,101
▪ Plaster spa #1 at Jasmine Court Pool	\$6,375
▪ Plaster spa #2 at Jasmine Court	\$6,375
▪ Plaster spa at Mesquite Pool	\$7,648
▪ Plaster Cassia Pool	\$15,468
▪ Plaster Jasmine Court Pool	\$52,142
▪ Plaster Mesquite Pool	\$15,931
▪ Install Jasmine Court Pool water heater	\$7,800
▪ Install Mesquite Pool water heater	\$9,450
▪ Purchase model room soft goods	\$85,247

A motion was made by Sverre Thomassen, Jr., to approve 2019 Reserve Projects for a total amount of \$1,277,361, including each line item thereof, as attached to the minutes. The motion was seconded by Ronald Horwitz and unanimously carried.

Acceptance of 2018 Armstrong Consulting 3-Year Reserve Study

A motion was made by Sharon August Jones to accept the 2018 Reserve Study as provided by Armstrong Consulting. The motion was seconded by Ronald Horwitz and unanimously carried.

Future Reserves

Ms. Ellebracht reviewed future Reserve projects. Highlights included:

- 2020
 - Upgrade locks throughout property
 - Replace televisions throughout property
 - Replace exterior utility doors
 - Upgrade pool furnishings throughout property
- 2021-2023
 - Upgrade soft goods in Phase 1
 - Replace villa entry doors in Phase 1
 - Replace barbeque grills throughout property

PROPOSED 2018 BUDGET AND MAINTENANCE FEE

Mr. Gardell presented the Management Company's proposed 2019 Budget and Maintenance Fee which included:

- 2019 Operating Fee of \$862.27, compared to \$833.66 in 2018
- 2019 Reserve Fee of \$461.68, compared to \$437.19 in 2018

A motion was made by Ronald Horwitz to approve the 2019 Desert Springs Villas II Timeshare Association Budget presented by the Management Company, with a reduction in the Operating Fee from 3.4% to 2.5% and an increase in the Reserve Fee from 5.6% to 6.8%, resulting in an Operating Fee of \$854.22 and Reserve Fee of \$466.68, for a total Maintenance Fee of \$1,320.90 and a total budget of \$27,081,173, as attached to the minutes. The motion was seconded by Sharon August Jones and unanimously carried.

NEW BUSINESS

Announcement of Next Meeting Dates

- Board Meeting (conference call) – February 14, 2019
- Board Meetings – May 16-17, 2019
- Board Meeting (conference call) – August 8, 2019
- Board Meetings – October 17-18, 2019
- Board Meeting (conference call) – February 9, 2023
- Board Meetings – May 18-19, 2023
- Board Meeting (conference call) – August 10, 2023
- Board Meetings – October 19-20, 2023

A motion was made by Sharon August Jones to approve the meeting dates for 2019 through 2023. The motion was seconded by Sverre Thomassen, Jr., and unanimously carried.

ADJOURNMENT

There being no further business to come before the Board, a motion was made by Sharon August Jones to adjourn the meeting at 9:28 a.m. The motion was seconded by Ronald Horwitz and unanimously carried.

Submitted by:

Approved by:

Mary Ann Chavez Date
Recording Secretary

Benjamin Steinberg Date
President

These minutes are subject to approval at the next Board of Directors Meeting

DESERT SPRINGS VILLAS II TIMESHARE ASSOCIATION

2019 Estimated Operating Budget

For The Period Beginning January 1, 2019 And Ending December 31, 2019

	2018 BUDGETED EXPENSES 20,502 (PER TIMESHARE INTEREST)	2019 APPROVED BUDGET 20,502 (PER TIMESHARE INTEREST)	PER ALTERNATE YEAR TIMESHARE INTERESTS	2018 BUDGET VS 2019 BUDGET INCREASE/(DECREASE)		2019 APPROVED BUDGET TOTAL
				\$	%	

Revenue						
Maintenance Fee	1,270.85	1,320.90	660.45	50.05	3.9%	27,081,173
Bank/Investment Interest	1.95	8.10	4.05	6.15	315.4%	166,154
Late Fees	3.65	3.05	1.53	(0.60)	(16.4%)	62,432
Maintenance Fee Interest Income	4.70	4.71	2.36	0.01	0.2%	96,522
Miscellaneous Income	2.37	6.35	3.18	3.98	167.9%	130,176
Other Income	0.00	0.34	0.17	0.34	100.0%	7,045
Surplus Return	0.00	7.32	3.66	7.32	100.0%	150,000
Total Maintenance Fee Revenue	1,283.52	1,350.77	675.39	67.25	5.2%	27,693,502

Expenses						
Accounting	12.94	14.21	7.11	1.27	9.8%	291,420
Activities	22.10	23.64	11.82	1.54	7.0%	484,639
Administration	31.61	31.98	15.99	0.37	1.2%	655,570
Audit Fee	0.72	0.69	0.35	(0.03)	(4.2%)	14,062
Bad Debt Expense	4.25	3.93	1.97	(0.32)	(7.5%)	80,568
Billing and Collections	9.55	9.55	4.78	0.00	0.0%	195,794
Board of Directors	0.90	0.89	0.45	(0.01)	(1.1%)	18,257
Cable Television	6.65	6.76	3.38	0.11	1.7%	138,547
Consulting Expense - Reserve Study	0.19	0.00	0.00	(0.19)	(100.0%)	0
Contingency	0.00	0.00	0.00	0.00	0.0%	0
Credit Card Fee	16.73	16.73	8.37	0.00	0.0%	343,062
Electricity	42.02	40.78	20.39	(1.24)	(3.0%)	836,016
Fee - Guest Facilities ³	8.40	8.54	4.27	0.14	1.7%	175,133
Front Desk	77.87	81.41	40.71	3.54	4.6%	1,669,126
Gas	4.83	3.92	1.96	(0.91)	(18.8%)	80,331
High Speed Internet	4.04	2.52	1.26	(1.52)	(37.6%)	51,683
Housekeeping ⁴	223.49	240.95	120.48	17.46	7.8%	4,939,936
Human Resources	11.94	12.26	6.13	0.32	2.7%	251,328
Income Tax	0.80	3.71	1.86	2.91	363.8%	76,051
Insurance	49.01	46.80	23.40	(2.21)	(4.5%)	959,511
Landscape / Grounds	17.19	17.14	8.57	(0.05)	(0.3%)	351,496
Legal	0.24	0.24	0.12	0.00	0.0%	4,987
Loss Prevention / Security	33.74	35.43	17.72	1.69	5.0%	726,361
Maintenance	80.52	86.87	43.44	6.35	7.9%	1,781,058
Management Fee	115.53	119.63	59.82	4.10	3.6%	2,452,606
Owner Services ²	43.58	44.89	22.45	1.31	3.0%	920,335
Pest Control	4.56	4.62	2.31	0.06	1.3%	94,699
Postage and Printing	4.06	3.76	1.88	(0.30)	(7.4%)	77,133
Refuse Collection	5.39	5.63	2.82	0.24	4.5%	115,413
Telephone	4.75	5.75	2.88	1.00	21.1%	117,869
Water and Sewer	8.73	10.86	5.43	2.13	24.4%	222,706
Operating Fee	846.33	884.09	442.05	37.76	4.5%	18,125,697

Reserve Fee ¹	437.19	466.68	233.34	29.49	6.8%	9,567,805
Operating and Reserve Fee	1,283.52	1,350.77	675.39	67.25	5.2%	27,693,502

Total Maintenance Fee	1,270.85	1,320.90	660.45	50.05	3.9%	27,081,173
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Capitalized terms not defined in these footnotes have the meaning given to them in the Desert Springs Villas II Timeshare Association Declaration of Covenants, Conditions and Restrictions.

ANNUAL BUDGET REPORT DISCLOSURES

INSURANCE SUMMARY

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

Desert Springs Villas Master Association
SECTION 5300(b) (10) CALIFORNIA CIVIL CODE
Federal Housing Administration

This common interest development is not a condominium project subject to the disclosure provisions set forth in Cal. Civ. Code §§ 5300(b)(10)-(11).

Desert Springs Villas Master Association
SECTION 5300(b) (11) CALIFORNIA CIVIL CODE
Veterans Affairs

This common interest development is not a condominium project subject to the disclosure provisions set forth in Cal. Civ. Code §§ 5300(b)(10)-(11).

Desert Springs Villas Master Association
SECTION 5300(b) (12) CALIFORNIA CIVIL CODE

Charges for Documents Provided.

In accordance with Section 4528 of the California Civil Code, attached is the completed “Charges for Documents Provided” setting forth the billing disclosures required pursuant to Section 4530 of the California Civil Code.

CHARGES FOR DOCUMENTS PROVIDED AS REQUIRED BY SECTION 4525 OF THE CALIFORNIA CIVIL CODE*

The seller may, in accordance with Section 4530 of the Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller.

A seller may request to purchase some or all of these documents, but shall not be required to purchase ALL of the documents listed on this form.

Property Address: 1091 Pinehurst Lane, Palm Desert, California 92260

Owner of Property:

Owner's Mailing Address (If known or different from property address.):

Provider of the Section 4525 Items:

Print Name: Matt Gardell

Position or Title: Director of Finance

Association or Agent: Desert Springs Villas Master Association

Date Form Completed:

Check or Complete Applicable Column or Columns Below:

<u>Document:</u>	<u>Civil Code Section Included:</u>	<u>Fee for Document:</u>	<u>Not Available (N/A), Not Applicable (N/App) or Directly Provided by Seller and confirmed in writing by Seller as a current document (DP):</u>
<input type="checkbox"/> Articles of Incorporation or statement that not incorporated	Section 4525(a)(1)	\$20.00	
<input type="checkbox"/> CC&Rs	Section 4525(a)(1)	\$20.00	
<input type="checkbox"/> Bylaws	Section 4525(a)(1)	\$20.00	
<input type="checkbox"/> Operating Rules	Section 4525(a)(1)	\$20.00	
<input type="checkbox"/> Age restrictions, if any	Section 4525(a)(2)	\$20.00	
<input type="checkbox"/> Rental restrictions, if any	Section 4525(a)(9)	\$20.00	
<input type="checkbox"/> Annual budget report or summary, including reserve study	Sections 5300 and 4525(a)(3)	\$20.00	
<input type="checkbox"/> Assessment and reserve funding disclosure summary	Sections 5300 and 4525(a)(4)	\$20.00	
<input type="checkbox"/> Financial statement review	Sections 5305 and 4525(a)(3)	\$20.00	
<input type="checkbox"/> Assessment enforcement Policy	Sections 5310 and 4525(a)(4)	\$20.00	
<input type="checkbox"/> Insurance summary	Sections 5300 and 4525(a)(3)	\$20.00	
<input type="checkbox"/> Regular assessment	Section 4525(a)(4)	\$20.00	
<input type="checkbox"/> Special assessment	Section 4525(a)(4)	\$20.00	

<input type="checkbox"/>	Emergency assessment	Section 4525(a)(4)	\$20.00
<input type="checkbox"/>	Other unpaid obligations of seller	Sections 5675 and 4525(a)(4)	\$20.00
<input type="checkbox"/>	Approved changes to assessments	Sections 5300 and 4525(a)(4), (8)	\$20.00
<input type="checkbox"/>	Settlement notice Regarding common area defects	Sections 4525(a)(6), (7) and 6100	\$20.00
<input type="checkbox"/>	Preliminary list of defects	Sections 4525(a)(6), 6000, and 6100	\$20.00
<input type="checkbox"/>	Notice(s) of violation	Sections 5855 and 4525(a)(5)	\$20.00
<input type="checkbox"/>	Required statement of fees	Section 4525	
<input type="checkbox"/>	Minutes of regular board meetings conducted over the previous 12 months, if requested	Section 4525(a)(10)	\$20.00

Total fees for these documents: \$400.00

* The information provided by this form may not include all fees that may be imposed before the close of escrow. Additional fees that are not related to the requirements of Section 4525 shall be charged separately.

ANNUAL POLICY STATEMENT DISCLOSURES

Capitalized terms used herein without definition shall have the meaning given to such terms in the Master Declaration of Covenants, Conditions and Restrictions for Desert Springs Villas.

(1) Designated Contact Person for Association Communications.

Below is the name and contact information for the person designated to receive official communications on behalf of Desert Springs Villas Master Association (hereinafter, the "Association"), pursuant to Section 4035 of the California Civil Code. **Please submit all requests for copies of policies and meeting minutes in writing to the address below.**

Marriott's Desert Springs Villas
Attn: Mary Ann Chavez
1091 Pinehurst Lane
Palm Desert, California 92260

Email: maryann.chavez@vacationclub.com

(2) Request for Notices to Two Addresses.

A member may submit a request to the Association to have notices sent to up to two different specified addresses pursuant to subdivision (b) of Section 4040 of the California Civil Code.

(3) Location for Posting General Notices.

The following is the location for the posting of a general notice by the Association, pursuant to paragraph (3) of subdivision (a) of Section 4045 of the California Civil Code: Desert Springs Villas/Clubhouse Front Desk and Jasmine Court Clubhouse Front Desk.

(4) Right to Receive General Notices by Individual Delivery.

An Owner may request to receive general notices by individual delivery, pursuant to subdivision (b) of Section 4045 of the California Civil Code, by submitting a written request to the Association.

(5) Right to Receive Meeting Minutes.

An Owner is entitled to receive copies of meeting minutes, pursuant to subdivision (b) of Section 4045 of the California Civil Code. Any such request should be made in writing to the address provided above.

(6) Statement of Assessment Collection Policies.

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay Association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial

foreclosure. For liens recorded on and after January 1, 2006, Association(s) may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an Association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the Association(s) may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code) If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part

5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

(7) Statement of Policies and Practices in Enforcing Lien Rights and Other Legal Remedies.

California Civil Code Section 5310(a)(7) requires that each association describe its current policies and practices for enforcing lien rights or other legal remedies for default in payment of its assessments. We certainly encourage and appreciate prompt payment to avoid our valued Owners being subject to the actions described below.

Assessments and other amounts payable to the Association by the Owners are deemed delinquent if not paid within 15 days of the date due and shall bear interest at a rate of 12% per annum and be subject to a late fee equal to the greater of \$10 or 10% of the delinquent amount. The Association is also entitled to receive its costs of collection from the delinquent Owner. If such delinquency is not paid within 10 days of the delivery by the Association to the Owner of a written demand for payment of such delinquency, or within 100 days after the date of the delinquency if no written demand is made, the Association may elect to pursue recordation of a notice of delinquent assessment and claim of lien on behalf of the Association and thereafter seek foreclosure of the Association's lien, subject to the Association's compliance with the applicable statutory requirements, including providing at least 30 days' notice prior to such recordation. The Association also has the right to pursue other legal remedies, including, but not limited to, suspension of an owner's privileges to use Association property and/or the owner's right to participate in any vote in accordance with the terms and conditions set forth in the governing documents for the Association. For example, the governing documents of Desert Springs Villas Master Association provide that all Owners may be refused the right to use the Association's property if their assessments are delinquent.

Desert Springs Villas Master Association First Restated Bylaws. Article III Membership Assessments and Lien Rights. Section 3.02 ENFORCEMENT; LIEN RIGHTS. For the purpose of enforcing and collecting assessments, this Association shall have the lien rights set forth in Article IV of the Declaration, which lien rights shall be enforceable by the Board in the manner set forth in Article IV of the Declaration. The Board shall also have and be entitled to exercise all other rights and remedies set forth in the Declaration or otherwise provided for at law or in equity.

We encourage you to review the provisions of the Bylaws and Master Declaration noted above for further detail regarding the enforcement powers and remedies afforded to the Association.

(8) Statement of Association's Discipline Policy and Schedule of Penalties for Violations of Governing Documents.

The Board of the Association expects all owners and their guests to adhere to the covenants, agreements and requirements set forth in the governing documents, including the Rules and Regulations and Declaration. To assist the Board of Directors in the enforcement of the provisions of the governing documents, the Board has delegated enforcement authority to the Manager. Any owner or guest who has been advised by the Manager that they are in violation of the governing documents, including the Rules and Regulations and/or the Declaration, will be required to immediately cease and desist any prohibited activity or otherwise take such actions as may be needed to correct such violation. If an owner or his guest, after being notified by the Manager that they are in violation of the governing documents, fails to comply with the Manager's direction, the matter will be referred to the Board for consideration of the assessment of penalties by reason of such person's non-compliance. The owner against whom such action is proposed to be taken has the right to appear before the Board at its next regularly scheduled meeting to contest such action, all as more particularly provided in the Bylaws and the Declaration.

Furthermore, any assessments and other amounts payable to the Association by the Owners are deemed delinquent if not paid within 15 days of the date due and shall bear interest at a rate of 12% per annum and be subject to a late fee of the greater of \$10 or 10% of the delinquent amount.

Desert Springs Villas Master Association Rules and Regulations - NON-SMOKING Smoking is prohibited everywhere on the Master Association Property, except where designated by the Board, and may be changed from time to time. Failure to comply with this Non-Smoking Policy by an Owner or Authorized User may result in a cleaning fee in an amount equal to the lesser of \$250.00 or the maximum amount permitted by applicable law, which shall be a personal charge assessed to the Owner or Authorized User following any applicable procedural requirements.

First Amendment to the Rules and Regulations for Desert Springs Villas Master Association. Section 1 of the Rules and Regulations, "Non-Smoking", shall be amended to add the following new sentences to the end of such section as follows: "As used in these Rules and Regulations, the term 'smoking' or 'smoke' shall mean the carrying or using of a lighted pipe, lighted cigar, or lighted cigarette of any kind, or the lighting of a pipe, cigar, or cigarette of any kind, including, but not limited to, any use of a lighted pipe, lighted cigar or lighted cigarette containing tobacco, marijuana or any other weed, plant, chemical or substance, and includes the use of electronic cigarettes and devices. "Cigarette" includes but is not limited to the definition of "cigarette" as set forth in the California Health and Safety Code §104556, as may be amended, and specifically includes cigarettes containing marijuana and any other weeds, plants, substances or chemicals of any kind, regardless of whether they contain nicotine or tobacco. "Cigar" includes but is not limited to the definition of "cigar" as set forth in the California Health and Safety Code §104550, as may be amended, and specifically includes cigars containing marijuana and any other weeds, plants, substances or chemicals of any kind, regardless of whether they contain nicotine or tobacco. "Electronic cigarette" means an electronic or battery-operated device of any kind, which can be used to deliver nicotine or any other chemical or substance of any kind, whether used, manufactured, distributed, marketed, or sold as an electronic cigarette, an electronic cigar, an electronic cigarillo, an electronic pipe, or

an electronic hookah, as well as any other similar device regardless of delivery mechanism, product name or descriptor.”

Desert Springs Villas Master Association Rules and Regulations - VIOLATION OF RULES AND REGULATIONS. Violations of the Rules and Regulations should be reported in writing to the Manager or President of the Master Association. Violations needing follow-up action may be presented to the Board of the Master Association for appropriate action at its next regularly scheduled meeting or at a special meeting called for this purpose.

Desert Springs Villas Master Association Declaration. Article IV. Assessments. 4.8 REMEDIAL ASSESSMENTS. Pursuant to the Master Declaration, the Board may levy an assessment against any Subdivision Interest to reimburse the Master Association for costs incurred in bringing such Subdivision Interest and its Owner into compliance with provisions of the Master Declaration or the Master Association Rules. Remedial Assessments shall be due ten (10) days after the Board gives written notice thereof to the Owner subject thereto. The provisions of section 4.7 of the Master Declaration with respect to approval of Annual Assessments and Special Assessments shall not apply in the case of Remedial Assessments.

(9) Summary of Dispute Resolution Procedures.

Pursuant to Sections 5310(a)(9) and 5920 of the Davis-Stirling Common Interest Development Act:

(a) Either party to a dispute within the scope of Article 2 of the Davis-Stirling Common Interest Development Act (as described in Section 5900 of the Civil Code) may invoke the following procedure:

(1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

(2) A member of an association may refuse a request to meet and confer. The association shall not refuse a request to meet and confer.

(3) The board shall designate a director to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. The parties may be assisted by an attorney or another person at their own cost when conferring.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(b) A written agreement reached under this section binds the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board to its designee or the agreement is ratified by the board.

(c) A member shall not be charged a fee to participate in the process.

Pursuant to Sections 5310(a)(9) and 5965 of the Davis-Stirling Common Interest Development Act, below is a summary of Article 3 of the Act with respect to alternative dispute resolution as a prerequisite to the filing of a civil action.

Neither an association nor a member may file an enforcement action in superior court for declaratory, injunctive or writ relief or for such relief in connection with a claim for monetary damages not in excess of the jurisdictional limits unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to Article 3 of the Davis-Stirling Common

Interest Development Act. The provisions of this Article do not apply to a small claims action or to an assessment dispute. Any party to a dispute may initiate the process by serving a Request for Resolution on the other party which includes the items described in Section 5935 of the Civil Code including a brief description of the dispute and a request for alternative dispute resolution. If the party served fails to respond within 30 days of receipt, the request is deemed rejected. If the party served accepts the request, the parties must complete the alternative dispute resolution within 90 days of the initiating party's receipt of such acceptance, unless otherwise extended by written stipulation signed by the parties. At the time of commencement of an enforcement action, the party commencing the action is required to file a certificate with the initial pleading stating that (i) alternative dispute resolution has been completed in compliance with Article 3; (ii) one of the other parties did not accept the terms offered for alternative dispute resolution; and/or (iii) preliminary or temporary injunctive relief is necessary. After an enforcement action is commenced, the matter may still be referred to dispute resolution by written stipulation of the parties. If attorneys' fees may be awarded, the court may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.

(10) Summary of Requirements for Association Approval of Physical Changes to the Property.

Desert Springs Villas Master Declaration, Article VI. Architectural Control. Section 6.3 DUTIES. It shall be the duty of the Architectural Control Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms hereof, to insure that any Improvements constructed on the Master Project by anyone other than the Declarant conform to plans approved by the Architectural Control Committee, to adopt Architectural Control Committee Rules, to perform other duties delegated to it by the Declarant within the time periods set forth herein and thereafter by the Board, and to carry out all other duties imposed upon it by the Master Declaration. The Architectural Control Committee, in its own name or on behalf of the Master Association, may exercise all available legal and equitable remedies to prevent or remove any unauthorized and unapproved construction of Improvements on the Master Project or any portion thereof.

Desert Springs Villas Master Declaration, Article VI. Architectural Control. Section 6.4 OPERATION OF COMMITTEE. The Architectural Control Committee shall function as follows:

- (a) The Committee may require the submission to it of any or all of the following documents and such additional documents which it determines to be reasonably appropriate to the activity for which consent is requested:
- (1) a written description;
 - (2) plans and specifications;
 - (3) schematics;
 - (4) elevations; and
 - (5) a plot plan showing the location of the proposed structure or Improvements.

All submittals to the Architectural Control Committee shall be made in accordance with Section 6.4(b) of the Master Declaration. The Architectural Control Committee may require changes to the matters for which their approval is sought in accordance with Section 6.4(c) of the Master Declaration.

(11) Mailing Address for Overnight Payment of Assessments.

In accordance with Section 5655 of the California Civil Code, an Owner may direct overnight payments of Assessments to the following address:

Marriott Resorts Hospitality Corporation
Attn: 382056
500 Ross Street 154-0460
Pittsburgh, Pennsylvania 15250-8056

Note: This summary is not intended to contain all matters relating to California Civil Codes which are described herein, and care should be taken to review the entire California Civil Codes.

SCHEDULE OF INSURANCE

Insured: MARRIOTT OWNERSHIP RESORTS, INC. CALIFORNIA LOCATIONS

Coverage	Perils/Hazards Insured	Limit or Amount	Policy Term Company/Policy No.	Deductibles
<p>COMMERCIAL PROPERTY Real and Personal Property, Business Income Including Extra Expense</p>	<p>Maximum Limit of Liability – Any One Occurrence, Except as Sub-limited</p> <p><u>Sublimits</u> Earthquake - Annual Aggregate Flood – Annual Aggregate Named Windstorm</p> <p>Perils: All Risk of Direct Physical Loss or Damage including Boiler & Machinery</p>	<p>\$ 500,000,000</p> <p>\$ 200,000,000 \$ 250,000,000 \$ 250,000,000</p>	<p>June 1, 2018 – June 1, 2019</p> <p>Multiple carriers provide the coverage under a Layered Participation Program.</p> <p>A list of participating carriers is available upon request.</p>	<p>All perils - \$25,000, Except:</p> <ul style="list-style-type: none"> ▪ CA Earthquake: 5%, \$250,000 minimum ▪ Flood Zones A or V, 3% \$500,000 minimum,
<p>GENERAL LIABILITY</p>	<p>General Aggregate Products – Comp. Ops. Aggregate Personal & Adv. Injury Each Occurrence Fire Damage (Any one fire) Medical Expenses (Any one person)</p>	<p>\$ 15,000,000 \$ 2,000,000 \$ 1,000,000 \$ 1,000,000 \$ 100,000 \$ 2,500</p>	<p>October 1, 2018 – October 1, 2019 Liberty Mutual Ins. Co. Policy No. TB2651283929128</p>	<p>BI/PD Liability Combined - \$500 Per Occurrence</p>

Property coverage excludes unit owner’s and tenant’s personal property, improvements and betterments. Coverage applies to the condominium property, including common elements and limited common elements, as required under the condominium documents.

Liability coverage applies to the areas owned by the Condominium Association including the common elements and limited common elements (or similarly defined terms) as outlined in the condominium documents. Coverage does not apply under any circumstances for an individual Owner’s negligent or willful acts or the actions of the Owner’s renters, guests or invitees including but not limited to damage caused by the renters, guests or invitees.

Please refer to the condominium documents for detailed information on the areas covered.

All insurance coverage references and descriptions contained in this Account Summary are intended only to identify the types of coverages and generally describe specific coverage features of your insurance policies. Refer to policies for actual coverage terms and conditions. *This summary contains confidential and proprietary information. Do not copy or distribute this information without prior consent of the MVCI Insurance Department.*

SCHEDULE OF INSURANCE

Insured: MARRIOTT OWNERSHIP RESORTS, INC. CALIFORNIA LOCATIONS

Coverage	Perils/Hazards Insured	Limit or Amount	Policy Term Company/Policy No.	Deductibles
<u>AUTO LIABILITY</u>	Combined Single Limit (BI/PD) Medical Payments	\$ 2,000,000 \$ 5,000	October 1, 2018 – October 1, 2019 Liberty Mutual Ins. Co. Policy No. AS2651283929118	Physical Damage - \$500
<u>EXCESS LIABILITY</u>	Limit of Liability	\$ 25,000,000	October 1, 2018 – October 1, 2019 American Guarantee & Liability Ins Co Policy No. AUC-9318982-07	

Property coverage excludes unit owner’s and tenant’s personal property, improvements and betterments. Coverage applies to the condominium property, including common elements and limited common elements, as required under the condominium documents.

Liability coverage applies to the areas owned by the Condominium Association including the common elements and limited common elements (or similarly defined terms) as outlined in the condominium documents. Coverage does not apply under any circumstances for an individual Owner’s negligent or willful acts or the actions of the Owner’s renters, guests or invitees including but not limited to damage caused by the renters, guests or invitees.

Please refer to the condominium documents for detailed information on the areas covered.

All insurance coverage references and descriptions contained in this Account Summary are intended only to identify the types of coverages and generally describe specific coverage features of your insurance policies. Refer to policies for actual coverage terms and conditions. *This summary contains confidential and proprietary information. Do not copy or distribute this information without prior consent of the MVCI Insurance Department.*

Desert Springs Villas
Reserve - Master - Desert Springs Villas
Cash Flow Report, FY2019

<u>Period</u>	<u>Beginning Balance</u>	<u>Income</u>	<u>Expenses</u>	<u>Interest</u>	<u>Ending Balance</u>	<u>Avg. Fee/ Unit:</u> <u>Week</u>	<u>% Fee</u> <u>Change</u>	<u>Ideal Balance</u>	<u>Percent</u> <u>Funded</u>
FY2019	761,913	1,528,634	(1,977,283)	2,075	315,340	46.98	11.0%	5,422,223	5.8%
FY2020	315,340	1,666,212	(1,088,557)	4,997	897,991	51.21	9.0%	5,676,185	15.8%
FY2021	897,991	1,816,171	(1,152,171)	8,941	1,570,932	55.82	9.0%	5,908,765	26.6%
FY2022	1,570,932	1,916,060	(1,188,773)	13,237	2,311,455	58.89	5.5%	6,147,944	37.6%
FY2023	2,311,455	1,983,122	(1,000,901)	19,000	3,312,676	60.95	3.5%	6,626,396	50.0%
FY2024	3,312,676	2,002,953	(1,271,554)	23,563	4,067,638	61.56	1.0%	6,886,659	59.1%
FY2025	4,067,638	2,022,982	(1,243,316)	28,291	4,875,596	62.17	1.0%	7,224,950	67.5%
FY2026	4,875,596	2,022,982	(1,423,219)	32,129	5,507,488	62.17	.0%	7,430,628	74.1%
FY2027	5,507,488	2,022,982	(1,664,988)	34,523	5,900,006	62.17	.0%	7,436,925	79.3%
FY2028	5,900,006	2,022,982	(1,851,035)	35,837	6,107,789	62.17	.0%	7,296,732	83.7%
FY2029	6,107,789	2,022,982	(1,451,167)	39,234	6,718,838	62.17	.0%	7,610,495	88.3%
FY2030	6,718,838	2,022,982	(1,410,170)	43,071	7,374,721	62.17	.0%	8,023,584	91.9%
FY2031	7,374,721	2,022,982	(1,088,295)	48,735	8,358,143	62.17	.0%	8,829,911	94.7%
FY2032	8,358,143	2,022,982	(1,401,070)	52,818	9,032,873	62.17	.0%	9,388,665	96.2%
FY2033	9,032,873	2,022,982	(1,536,940)	56,073	9,574,989	62.17	.0%	9,876,344	96.9%
FY2034	9,574,989	2,022,982	(1,360,028)	60,240	10,298,183	62.17	.0%	10,614,545	97.0%
FY2035	10,298,183	2,022,982	(2,315,877)	59,336	10,064,625	62.17	.0%	10,445,650	96.4%
FY2036	10,064,625	2,022,982	(1,936,922)	60,053	10,210,738	62.17	.0%	10,719,179	95.3%
FY2037	10,210,738	2,022,982	(2,964,094)	55,304	9,324,930	62.17	.0%	10,001,349	93.2%
FY2038	9,324,930	2,022,982	(1,775,530)	56,508	9,628,890	62.17	.0%	10,546,612	91.3%
FY2039	9,628,890	2,022,982	(3,724,083)	47,742	7,975,530	62.17	.0%	9,163,445	87.0%
FY2040	7,975,530	2,022,982	(2,231,038)	46,055	7,813,530	62.17	.0%	9,340,707	83.7%
FY2041	7,813,530	2,022,982	(1,007,356)	51,783	8,880,939	62.17	.0%	10,849,951	81.9%
FY2042	8,880,939	2,022,982	(2,455,898)	50,192	8,498,215	62.17	.0%	10,980,202	77.4%
FY2043	8,498,215	2,022,982	(1,551,670)	52,831	9,022,358	62.17	.0%	12,115,745	74.5%
FY2044	9,022,358	2,022,982	(1,597,872)	55,681	9,503,149	62.17	.0%	13,309,897	71.4%
FY2045	9,503,149	2,022,982	(3,332,859)	49,119	8,242,391	62.17	.0%	12,827,131	64.3%
FY2046	8,242,391	2,022,982	(1,971,061)	49,103	8,343,415	62.17	.0%	13,809,363	60.4%
FY2047	8,343,415	2,022,982	(2,021,483)	49,368	8,394,282	62.17	.0%	14,847,641	56.5%
FY2048	8,394,282	2,022,982	(2,736,345)	45,793	7,726,712	62.17	.0%	15,261,944	50.6%

Average Interest Rate:

1.00% Average Tax Rate:

41.00%

The foregoing financial projections apply only as of the date of this report. These projections are subject to risks, uncertainties, estimates and assumptions based on information currently available. Some assumptions and estimates inevitably will not be accurate, and unanticipated events may occur. Therefore, actual financial results will vary, and such variations may be material. The Board of Directors should not place undue reliance on these projections in making budgeting or other financial decisions for the Association. Neither the management company nor any of its affiliates assumes any liability, or extends any guarantee or warranty, express or implied, with respect to these financial projections or actual results achieved.

Assessment and Reserve Funding Disclosure Summary

Association name: Desert Springs Villas Master Association

For Fiscal Year Beginning: 1/1/2019 **# of Ownership Interests:** 32,538

Regular budgeted assessments:	Total	Per Ownership Interest	
Reserve Contributions	\$1,528,634	\$46.98	per: Year
Total Assessment Income	\$3,754,626	\$115.39	per: Year

2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Assessment will be due	Amt per Ownership Interest per month or year	Purpose of Assessment
N/A		
N/A		
Total:		\$0.00

3) Based on the most recent Reserve Study and other information available to the Board of Directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years? **Yes**

4) If the answer to #3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

Approximate date assessment will be due	Amt per Ownership Interest per month or year	
N/A		
N/A		
N/A		
N/A		
Total:		\$0

5) All major components are included in the reserve study and are included in its calculation.

6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code:

All computations/disclosures are based on the fiscal year start date of:	1/1/2019
Fully Funded Balance:	\$6,107,118
Projected Reserve Fund Balance:	\$764,166
Percent Funded:	12.5%

From the 4/1/2018 Reserve Study by Armstrong Consulting, Inc. and any minor changes since that date.

7) See attached 30 Year Reserve Plan Summary Table, showing the fiscal year, projected reserve funding, estimated reserve expenses and interest, reserve balances and percent funded which is based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code.

Note: The financial representations set forth in this summary is based on the best estimates of the preparer at that time. The estimates are subject to change.