

October 1, 2018

Dear Marriott's Lakeshore Reserve Owner:

A regular meeting of the Board of Directors of Lakeshore Reserve Condominium Association, Inc. will be held on October 16, 2018, at 9:30 a.m., Eastern Time, at Marriott's Lakeshore Reserve, Stanza Italia Meeting Room, 11248 Lakeshore Reserve Drive, Orlando, Florida 32837.

Please pay particular attention to the Reserve Fee on the enclosed [proposed budget](#). For further explanation, see item 2.A. of the Limited Proxy which was recently distributed to you in the Notice of Annual Meeting package.

The Board of Directors reviews the Association's reserve funding needs on a regular basis and will do so again at this meeting. The goal has been, and remains, to maintain a balanced approach in reserve contributions versus projected expenditures for the Association.

As a member of the Association, your presence and comments are welcome at this meeting. Any comments will be considered by the Board of Directors prior to taking formal action on the proposed budget.

As noted on the Agenda, open budget discussion with Association members is scheduled from 11:15 a.m. to 11:30 a.m., Eastern Time.

If you have any questions or would like any additional information, please contact Louise O'Leary, Director of Finance, by phone at 407-393-6452 or by email at Louise.O'Leary@vacationclub.com.

Sincerely,

Brad Bradford

Secretary/Treasurer

Lakeshore Reserve Condominium Association, Inc.

**Lakeshore Reserve Condominium Association, Inc.
Board of Directors Meeting**

October 16, 2018 at 9:30 a.m., Eastern Time

Marriott's Lakeshore Reserve
Stanza Italia Meeting Room
11248 Lakeshore Reserve Drive
Orlando, Florida 32837

Agenda

- Call to Order
- Establishment of Quorum and Roll Call
- Appointment of Recording Secretary
- Proof of Notice of Board Meeting
- Approval of Agenda
- Approval of Previous Meeting Minutes
 - May 8, 2018 Board of Directors Meeting
 - June 14, 2018 Board of Directors Special Meeting
 - June 21, 2018 Board of Directors Special Meeting
 - July 12, 2018 Nominating Committee Meeting
 - July 24, 2018 Board of Directors Meeting
- Resort Operations Update
- Financial Report
 - Property Tax Appeal Update
 - 2018 Year-to-date Financials and Forecast
 - Accounts Receivable
 - Foreclosed Inventory Purchase Agreement
 - Reserves
 - 2018 Reserve Projects
 - 2019 Reserve Proposed Projects
 - 2019 Reserve Funding Discussion
 - Limited Subsidy Agreement
 - 2019 Proposed Maintenance Fee Discussion
(Open Budget Discussion with Owners: 11:15 a.m. – 11:30 a.m.)
 - Approval of 2019 Budget
- New Business
 - Announcement of 2019 Board and Annual Meeting Dates
 - Announcement of 2020 Board and Annual Meeting Dates
- Adjournment

LAKESHORE RESERVE CONDOMINIUM

2019 Estimated Timeshare Plan Common Expense Budget

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

UNIT WEEKS	2018	2019	2018 BUDGET		2019	2019 BUDGET BY VILLA TYPE					
	APPROVED	PROPOSED	VS			2 BEDROOM TIER	2 BEDROOM DLX	3 BEDROOM TIER	Commercial		
	BUDGET	BUDGET	2019 BUDGET								
	4,429	4,429	INCREASE/(DECREASE)		\$	%	\$	(PER UNIT WEEK)	(PER UNIT WEEK)	(PER UNIT WEEK)	(ANNUAL)
	(PER UNIT WEEK)	(PER UNIT WEEK)	\$	%	\$						
Revenue											
Association Fees - Commercial Units	0.00	0.00	0.00	0.0%	908		0.00	0.00	0.00		907.86
Platinum	1,991.32	2,279.35	288.03	14.5%	7,742,644		2,081.69	2,178.53	2,819.97		0.00
Premier Platinum	1,994.00	2,282.03	288.03	14.4%	2,354,965		2,083.39	2,180.75	2,825.30		0.00
Limited Developer Subsidy	168.72	147.64	(21.08)	(12.5%)	653,980		134.55	139.29	185.39		65.40
Bank/Investment Interest	0.80	7.17	6.37	796.3%	31,752		6.53	6.76	9.00		3.27
Late Fees	5.48	5.16	(0.32)	(5.8%)	22,858		4.70	4.87	6.48		2.29
Maintenance Fee Interest Income	25.31	24.68	(0.63)	(2.5%)	109,303		22.49	23.28	30.99		10.93
Total Maintenance Fee Revenue					10,916,410						
Expenses											
Accounting	45.68	47.15	1.47	3.2%	208,849		42.97	44.48	59.21		20.88
Activities	73.38	79.44	6.06	8.3%	351,870		72.40	74.95	99.75		35.19
Administration	122.64	126.97	4.33	3.5%	562,396		115.71	119.79	159.43		56.25
Bad Debt Expense	19.04	9.52	(9.52)	(50.0%)	42,168		8.68	8.98	11.95		4.22
Billing and Collections	11.94	11.94	0.00	0.0%	52,882		10.88	11.26	14.99		5.29
Cable Television	5.01	5.01	0.00	0.0%	22,200		4.57	4.73	6.29		2.22
Common Assessment	348.09	370.16	22.07	6.3%	1,639,602		337.34	349.23	464.80		163.96
Credit Card Fee	31.87	33.92	2.05	6.4%	150,227		30.91	32.00	42.59		15.02
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	2.00	2.00	0.00	0.0%	8,858		1.82	1.89	2.51		0.89
Electricity	72.63	74.69	2.06	2.8%	330,819		68.06	70.46	93.78		33.09
Front Desk	132.27	137.44	5.17	3.9%	608,778		125.25	129.67	172.58		60.88
Gas	12.49	14.71	2.22	17.8%	65,143		13.40	13.88	18.47		6.51
High Speed Internet	8.15	8.15	0.00	0.0%	36,084		7.42	7.69	10.23		3.61
Housekeeping ⁽⁵⁾	284.20	302.75	18.55	6.5%	1,340,994		275.90	285.63	380.15		134.10
Human Resources	26.67	40.62	13.95	52.3%	179,919		37.02	38.32	51.00		17.99
Income Tax	3.18	7.09	3.91	123.0%	31,389		6.46	6.69	8.90		3.13
Insurance	9.89	10.78	0.89	9.0%	47,739		9.82	10.17	13.53		4.78
Legal	0.00	7.90	7.90	100.0%	35,000		7.20	7.45	9.92		3.50
Maintenance	100.86	107.39	6.53	6.5%	475,674		97.87	101.32	134.85		47.57
Management Fee	143.57	164.06	20.49	14.3%	726,675		149.51	154.78	206.00		74.71
Operating Capital	20.98	0.00	(20.98)	(100.0%)	-		0.00	0.00	0.00		0.00
Other Expenses	0.00	0.00	0.00	0.0%	-		0.00	0.00	0.00		0.00
Owner Services ⁽⁴⁾	43.58	44.89	1.31	3.0%	198,818		40.91	42.35	56.36		19.88
Pool Maintenance	101.39	102.78	1.39	1.4%	455,259		93.67	96.97	129.06		45.53
Postage and Printing	3.29	3.78	0.49	14.9%	16,727		3.44	3.56	4.74		1.67
Rent for Recreation	0.00	0.00	0.00	0.0%	-		0.00	0.00	0.00		0.00
Taxes upon Association Property	0.00	0.00	0.00	0.0%	-		0.00	0.00	0.00		0.00
Taxes upon Leased Areas	0.00	0.00	0.00	0.0%	-		0.00	0.00	0.00		0.00
Telephone	7.44	7.44	0.00	0.0%	32,968		6.78	7.02	9.35		3.30
Transportation / Garage / Parking	15.74	14.33	(1.41)	(9.0%)	63,470		13.06	13.52	17.99		6.35
Water and Sewer	22.69	24.96	2.27	10.0%	110,553		22.75	23.55	31.34		11.05
Operating Fee	1,668.67	1,759.87	91.20	5.5%	7,795,061		1,603.80	1,660.34	2,209.77		781.57
NET OPERATING FEE (Total Operating Fee less other income*)	1,468.36	1,575.22	106.86	7.3%	6,977,168		1,435.53	1,486.14	1,977.91		699.68
Reserve Fee - Timeshare ⁽³⁾	224.28	364.94	140.66	62.7%	1,616,316		332.55	344.27	458.20		161.63
Reserve Fee - Common	64.59	105.10	40.51	62.7%	465,496		95.77	99.15	131.96		46.55
Operating And Reserve Fee	1,957.54	2,229.91	272.37	13.9%	9,876,873		2,032.12	2,103.76	2,799.93		989.75
Estimated Property Tax⁽¹⁾											
Platinum	234.09	234.09	0.00	0.0%	795,191		217.84	248.97	251.90		0.00
Premier Platinum	236.77	236.77	0.00	0.0%	244,346		219.54	251.19	257.23		0.00
TOTAL MAINTENANCE FEE EXPENSE					10,916,410						
International Owner's Surcharge ⁽²⁾	34.50	34.50	0.00	0.0%	-----		34.50	34.50	34.50		-----

LAKESHORE RESERVE CONDOMINIUM
2019 ESTIMATED CONDOMINIUM COMMON EXPENSE BUDGET
FOR THE PERIOD BEGINNING JANUARY 1, 2019 AND ENDING DECEMBER 31, 2019

	<u>Annual Total</u>	<u>Timeshare</u>	<u>Commercial</u>
Revenues			
Association Fees	\$ 2,104,450	\$ 2,104,240	\$ 210
Bank/Investment Interest	648	648	0
Total Revenue	<u>2,105,098</u>	<u>2,104,888</u>	<u>\$ 211</u>
Accounting	33,971	33,967	3
Administration	90,566	90,557	9
Audit Fee	15,250	15,248	2
Board of Directors	9,000	8,999	1
Electricity	53,675	53,670	5
Grande Lakes Property Owners Association, Inc	8,844	8,843	1
Housekeeping(5)	76,547	76,540	8
Income Tax	663	663	0
Insurance	210,573	210,552	21
Landscape / Grounds	316,110	316,078	32
Loss Prevention / Security	350,926	350,891	35
Maintenance	203,860	203,840	20
Management Fee	191,372	191,353	19
Operating Capital	-	-	-
Other Expenses	-	-	-
Pest Control	25,529	25,526	3
Refuse Collection	36,600	36,596	4
Rent for Recreation	-	-	-
Taxes upon Association Property	-	-	-
Taxes upon Leased Areas	-	-	-
Water and Sewer	16,116	16,114	2
Operating Fee	<u>\$ 1,639,602</u>	<u>\$ 1,639,438</u>	<u>\$ 164</u>
External Building Maintenance	169,960	169,943	17
Common Area Rehabilitation	39,707	39,703	4
Roof Replacement	174,725	174,708	17
Building Painting	16,110	16,109	2
Pavement Resurfacing	64,993	64,987	6
Total Reserves	<u>\$ 465,496</u>	<u>\$ 465,449</u>	<u>\$ 47</u>
Total Expenses for Operating and Reserves	<u>\$ 2,105,098</u>	<u>\$ 2,104,888</u>	<u>\$ 211</u>

LAKESHORE RESERVE CONDOMINIUM
2019 Estimated Timeshare Plan Common Expense Budget Notes
PHASE 1A (86 RESIDENTIAL UNITS 4,429 UNIT WEEKS)
For The Period Beginning January 1, 2019 And Ending December 31, 2019

Notes to the 2019 Estimated Operating Budget

1) Florida Law requires the Managing Entity hired by the Association to collect Ad Valorem Taxes assessed by the Orange County Property Appraiser's Office. The exact amount of the taxes levied on each separate Timeshare Estate may vary depending on the value of the timeshare estate and will not be known for certain until November of the year of the assessment. So as to meet the statutory requirement that the Tax Collector's Office only accept "full payment", and so as to have the necessary funds on hand to make payment as soon as possible once the tax bill is received by the Managing Entity in order to receive a discount for early payment, the Managing Entity will bill Owners for their proportionate share of the taxes in January. Accordingly, the amount collected each year will be an estimate of the amount of Ad Valorem Taxes that will be levied against individual Timeshare Estates. When the final bill is available, the amount collected for each Timeshare Estate will be adjusted accordingly, and overpayments, if any, may reduce the subsequent year's assessment, subject to other budgetary factors.

Estimated 2019 Ad Valorem Taxes	AVERAGE	2 BEDROOM TIER	2 BEDROOM DLX	3 BEDROOM TIER
Platinum	\$234.09	\$217.84	\$248.97	\$251.90
Premier Platinum	\$236.77	\$219.54	\$251.19	\$257.23

2) International Owners of Timeshare Estates, in addition to other charges assessed pursuant to the Declaration, shall be charged an annual fee (the "International Owner's Surcharge"), which relates to the added costs for postage, personal delivery, increased frequency of and costs associated with long distance telephone calls, translation costs, additional costs for telefacsimile communications and labor costs for additional special support staff. Currently, the International Owner's Surcharge is \$34.50. The International Owner's Surcharge may, from time-to-time, be increased to reflect any increase in the cost of providing these services; provided, however, any such increase shall not exceed one hundred fifteen percent (115%) of the International Owner's Surcharge in the immediately preceding year, unless approved by a majority of all Owners.

3) Florida Law requires the Association to maintain reserves for deferred maintenance and capital expenditures, based on the estimated useful life and replacement cost of each reserve item. The Association is accumulating funds for repairs and replacements over the remaining useful lives of the components based on estimates of current replacement costs. Actual expenditures may vary from the estimated replacement costs.

- * Roof Replacement - includes both unit roof replacement and common area.
- * Furniture and Fixtures - includes replacement of unit furnishings, equipment, and appliances.
- * Building Painting - includes unit building painting.
- * External Building Maintenance - includes unit building-related equipment items.
- * Pavement Resurfacing - includes pavement resurfacing and striping.
- * Common Area Rehabilitation - provides for site lighting, irrigation systems, and common area maintenance of units.

The estimated lives and estimated replacement cost for each of the components are as follows:

As permitted by chapter 721 of the Florida Statutes, reserve funds may be reallocated between the reserve components by the Board at a duly called meeting.

Components	Estimated Useful Life In Yrs	Estimated Replacement Cost	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of January 1, 2019	Contribution For 2019
Roof Replacement	24	\$2,704,595	16	\$643,975	\$128,789
Furniture and Fixtures	12	\$9,988,125	8	\$1,050,033	\$1,117,261
Building Painting	8	\$573,089	6	\$227,063	\$57,671
External Building Maintenance	12	\$1,821,215	7	\$441,697	\$197,074
Pavement Resurfacing	16	\$681,560	11	\$221,422	\$41,831
Common Area Rehabilitation	12	\$5,214,100	7	\$1,439,796	\$539,186
TOTAL		\$20,982,684		\$4,023,986	\$2,081,812

4) The Marriott Resorts Hospitality Corporation ("MRHC") has been delegated the authority to provide all services incidental to the management of the Condominium, including Owner Services and all property operations. In connection with the performance of those services, all operating expenses will be charged to and paid by the Association to MRHC, including some that may be incurred through affiliates of MRHC. Certain of the operating expenses charged to and paid by the Association to MRHC may reflect economies of scale associated with the number of projects managed by MRHC and the affiliated relationship between MRHC and the developer. The amounts charged for such operating expenses may reflect pricing that is lower than what equivalent services would cost if charged on an independent case-by-case basis.

5) Certain operating expenses are presented in the budget net of funds estimated to be reimbursed to the Association in 2019, including but not limited to: (i) funds received from MVC Trust Owners Association, Inc. and MVC Exchange Company to account for housekeeping expenses necessitated by nightly use of accommodations by MVC Trust members and Marriott Vacation Club Destinations Exchange Program members, and (ii) fees paid to the Association by transient guests who voluntarily elect to receive a daily room cleaning.

The amounts set forth in this budget are estimates only and may be modified prior to the actual commencement of the fiscal year. Insurance, energy and labor costs are calculated based on current rates, and such costs may substantially increase over a short period of time. The Developer cannot predict how changes in the economic, social and political conditions may impact such costs. Purchasers are aware and acknowledge that the budget and, as a result, each purchaser's overall assessment, may increase substantially due to increasing costs, including (without limitation) those described above.

The budget contained in this offering circular has been prepared in accordance with the condominium act and is a good faith estimate only and represents an approximation of future expenses based on facts and circumstances existing at the time of its preparation. Actual costs of such items may exceed the estimated costs, and such changes in cost do not constitute material adverse changes in the offering.

Two of the 86 Residential Units in Phase 1 will be used by Developer for sales models. Each of these two Residential Units will pay Condominium Common Expenses, but will not be liable for Timeshare Plan Common Expenses unless and until a deed is recorded to convey a Timeshare Interest in such Residential Units.

Notes From 2017 Audit: Certain services, including off-site accounting and administration, and reservations, are provided by MRHC and allocated to the Association based on the number of unit weeks, as a percentage of total unit weeks the respective service covers. Marriott Vacations Worldwide Corporation ("MVWC"), the indirect parent company of MRHC, pays all invoices on behalf of the Association, subject to reimbursement by the Association. The net amount due from (to) MVWC at December 31, 2017 and December 30, 2016 was \$25,461 and (\$9,647), respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of Maintenance fees receivable due from MRHC at December 31, 2017 and December 30, 2016 was \$274,037 and \$198,954, respectively.