

Dear Owner:

The Boards at Marriott's Summit Watch just concluded our preliminary budget review meeting. Enclosed is the proposed 2019 Budget for Summit Watch Resort Owners Association, Inc., and Summit Watch Condominium Owners Association, Inc.

The Resort Owners Association (ROA) Board met concurrently with the Condominium Owners Association (COA) Board via conference call on Thursday, September 20, 2018, to discuss the proposed budget and ask clarifying questions to the management company. The Boards met concurrently to ensure efficiency and eliminate duplication of effort. As expected, Marriott's Summit Watch operating team presented a carefully prepared preliminary budget and were prepared to answer Board questions. At the Fall Board meeting scheduled for November 5, 2018, both Boards will meet to finalize the enclosed budgets. At that meeting, the Boards will determine if the pending action items can support a further reduction in the proposed 3.6% increase in the Maintenance Fee for 2019. While circumstances in each year are unique, our focus is still to keep fees as low as possible while protecting resort assets without sacrificing the vacation experience you have come to expect at Marriott's Summit Watch.

The COA is responsible for maintaining the resort exterior and common areas, along with the owner of the commercial properties at Marriott's Summit Watch. The Commercial Owner pays 25% and the ROA pays 75% of the COA's expenses. For 2019, the COA's proposed budget increase is 3.7%. The three-phase plaza deck replacement, while completed during the summer of 2017, depleted reserves more than anticipated because hidden problems with the walls led to cost over runs. The COA reserve fees are increasing by 5% for the next few years to allow us to build reserves to a safe level. Even so, the COA's 2019 total budget request has remained below 2014 for the fifth consecutive year. Once reserves accumulate to cover these unanticipated expenses, we anticipate lessor contributions to the reserve fund.

The ROA proposed budget increase for 2019 is 3.6%. The main factor determining this budget increase is the 5.7% increase in all hourly associate wages required to attract additional team members and to retain those already employed. Competing offers, from alternative employers in Park City, have increased turnover at Marriott's Summit Watch. A management promotion in housekeeping and the addition of a fulltime painter, to improve maintenance productivity, have contributed to the cost increases. Validation of the wisdom of management's decisions are Guest Satisfaction Scores. Marriott's Summit Watch staff's excellent work has maintained high Guest Satisfaction Scores – some of the highest in the Western region. Retention of productive and well-trained workers requires continual wage increases to remain competitive with other resorts in Park City and the surrounding Salt Lake City area. The high cost of living in Park City exacerbates this challenge.

Further, electricity, gas and trash collection expenses are increasing due to higher guest occupancy and increased rates. These increases have been slightly offset by decreasing insurance rates over last year.

One very noticeable change coming soon to Marriott's Summit Watch are new TVs and a new streaming service—World Cinema—which will greatly improve the variety and quality of your experience.

We continue to have a great relationship with the new owner of the Commercial Shops on the Plaza who joined last year. Last year's change in our Investment Manager responsible for investing our reserve funds has increased returns on invested reserve fees, validating the wisdom of that change. We are grateful for the Board members responsible for initiating the change. General interest rates are likely to continue increasing and that will increase returns even more.

Occupancy increases in the Bronze season weeks owned by the ROA have increased income, contributing to the smaller maintenance fee increase required to maintain the resort.

Our now seasoned General Manager, Wendy Carney, continues her excellent work at the resort. Both the ROA and COA Boards, and the Commercial Owner all express gratitude for her exemplary management of Marriott's Summit Watch operations.

Finally, our Annual Meeting is scheduled for November 5, 2018 at Park City Marriott (1895 Sidewinder Drive, Park City, Utah 84060) at 4:00 p.m., Mountain time. The purpose of this meeting is to review the operations of the Association, obtain owner approval for 2019 Maintenance Fees, finalize the election of Board members and conduct any other business which may be presented.

You have received the election materials we sent to each of you. You are the "legacy owners" of Marriott's Summit Watch and your interest in the resort is of ultimate importance. Sadly, most owners do not submit their proxy votes, thus limiting their voice in the operation and management of Marriott's Summit Watch. To assure that our "legacy owners" maintain a strong voice in the management of the resort, please vote!

We appreciate your continued support. Please feel free to contact any of your ROA Board members for questions or concerns you may have.

Robert Crawford – President

Ann Hurbanis – Vice President

Lynn Gilbert– Secretary

Charles Compton – Treasurer

Robert Heagy – Director

Summit Watch Condominium Owners Association, Inc.

Board of Directors Meeting

September 20, 2018

A regular meeting of Summit Watch Condominium Owners Association, Inc., (COA) was held via conference call on September 20, 2018, from Marriott's Summit Watch, 780 Main Street, Park City, Utah 84060.

Present from the Board of Directors were: David Fjeldsted, President; Valiena A. Allison, Vice President; Robert Turner, Treasurer; William Sheeran, Secretary and Michael Jang, Director

Present from Marriott Vacation Club® International, representing the Management Company, were: Jane Berg, Regional Vice President of Customer Experience-West; Wendy Carney, General Manager; Scott Wilkerson, Area Director of Finance-West Operations; Brandon Weilenmann, Director of Finance; Freddy Arellano-Burga, Assistant Controller and Whitney Kane, Executive Assistant

CALL TO ORDER

David Fjeldsted, President, called the meeting to order at 10:10 a.m., Mountain time.

Approval to run meetings concurrently

A motion was made by Valiena A. Allison to run Summit Watch Condominium Owners Association, Inc., Board of Directors Meeting concurrently with Summit Watch Resort Owners Association, Inc., Board of Directors Meeting. The motion was seconded by William Sheeran and unanimously carried.

ESTABLISHMENT OF QUORUM

Mr. Fjeldsted announced with all Board Members present, quorum was met.

APPOINTMENT OF RECORDING SECRETARY

Mr. Fjeldsted appointed Whitney Kane to serve as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETING

Notice of Board Meeting was emailed to all Board Members on August 21, 2018 as required by the Association Bylaws.

APPROVAL OF AGENDA

A motion was made by William Sheeran to approve the Agenda as presented. The motion was seconded by Valiena A. Allison and unanimously carried.

PROPOSED 2019 BUDGET AND MAINTENANCE FEE

Brandon Weilenmann presented the proposed 2019 Budget and Maintenance Fee.

- The proposed 2019 Maintenance Fee includes an increase of 3.7%. Key increases in the budget include:
 - Based on a market wage survey to improve retention and hiring quality associates, wages will increase an average of 5.7%.
 - To maintain positive cash flow following the completion of the 2017 plaza deck refurbishment, the Reserve Fee will increase 5%.
 - Due to expansion of plaza deck snowmelt coverage installed during Phase 3 renovation, natural gas will increase.

NEW BUSINESS

Recent changes to Utah Condominium Ownership Act and Community Association Act-UT H 454
Robert Turner discussed recent changes to Utah Condominium Ownership Act and Community Association Act - UT H 454.

Announcement of Next Meeting Date

The next Board and Annual Meetings are scheduled for November 5, 2018.

ADJOURNMENT

Summit Watch Resort Owners Association, Inc.

Board of Directors Meeting

September 20, 2018

A regular meeting of Summit Watch Resort Owners Association, Inc., (ROA) was held via conference call on September 20, 2018, from Marriott's Summit Watch, 780 Main Street, Park City, Utah 84060.

Present from the Board of Directors were: Robert Crawford, President; Ann Hurbanis, Vice President; Lynn Gilbert, Secretary; Charles Compton, Treasurer and Robert Heagy, Director

Present from Marriott Vacation Club® International, representing the Management Company, were: Jane Berg, Regional Vice President of Customer Experience-West; Wendy Carney, General Manager; Scott Wilkerson, Area Director of Finance-West Operations; Brandon Weilenmann, Director of Finance; Freddy Arellano-Burga, Assistant Controller and Whitney Kane, Executive Assistant

CALL TO ORDER

Robert Crawford, President, called the meeting to order at 10:10 a.m., Mountain time.

Approval to run meetings concurrently

A motion was made by Charles Compton to run Summit Watch Resort Owners Association, Inc., Board of Directors Meeting concurrently with Summit Watch Condominium Owners Association, Inc., Board of Directors Meeting. The motion was seconded by Lynn Gilbert and unanimously carried.

ESTABLISHMENT OF QUORUM

Dr. Crawford announced with all Board Members present, quorum was met.

APPOINTMENT OF RECORDING SECRETARY

Dr. Crawford appointed Whitney Kane to serve as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETING

Notice of Board Meeting was emailed to all Board Members on August 21, 2018 as required by the Association Bylaws.

APPROVAL OF AGENDA

A motion was made by Robert Heagy to approve the Agenda as presented. The motion was seconded by Ann Hurbanis and unanimously carried.

RESORT OPERATIONS REPORT

Wendy Carney presented the Resort Operations Report. Highlights included:

- Unemployment rates in Park City, Salt Lake City and Utah for 2017 and 2018
- National wage averages
- Market conditions and recruiting efforts

PROPOSED 2019 BUDGET AND MAINTENANCE FEE

Brandon Weilenmann presented the proposed 2019 Budget and Maintenance Fee.

- The proposed 2019 Maintenance Fee includes a total increase of 3.6%. Key drivers include:
 - Based on a market wage survey to improve retention and hiring quality associates, wages will increase by an average of 5.7%.
 - Due to higher wages and the upgrade of the Director of Rooms position, Housekeeping will increase by 12%.
 - Due to the addition of a full time in-house painter, Maintenance will increase by 8%.
 - Due to a combination of higher occupancy and average rates during Bronze weeks, Bronze week income will increase by 60%.

NEW BUSINESS

Recent changes to Utah Condominium Ownership Act and Community Association Act - UT H 454

Robert Turner discussed recent changes to Utah Condominium Ownership Act and Community Association Act - UT H 454.

SUMMIT WATCH RESORT OWNERS ASSOCIATION, INC.

2019 Estimated Operating Budget

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

	2018 BUDGETED EXPENSES 6,572 UNIT WEEKS (PER UNIT WEEK)	2019 PROPOSED BUDGET 6,569 UNIT WEEKS (PER UNIT WEEK)	2018 BUDGET VS 2019 BUDGET INCREASE/(DECREASE)		2019 PROPOSED BUDGET TOTAL
			\$	%	\$

Revenue					
Maintenance Fee	1,609.94	1,668.32	58.38	3.6%	10,959,214
Bank/Investment Interest	2.65	11.40	8.75	330.2%	74,903
Late Fees	3.84	3.82	(0.02)	(0.5%)	25,078
Lease Income	18.18	29.05	10.87	59.8%	190,810
Maintenance Fee Interest Income	9.22	9.25	0.03	0.3%	60,792
Marketplace - Convenience Store	3.34	2.58	(0.76)	(22.8%)	16,938
Miscellaneous Income	6.91	5.42	(1.49)	(21.6%)	35,600
Transportation / Garage / Parking	0.00	3.58	3.58	100.0%	23,517
Total Maintenance Fee Revenue	1,654.08	1,733.42	79.34	4.8%	11,386,852

Expenses					
Accounting	19.40	20.09	0.69	3.6%	131,966
Activities	44.56	47.77	3.21	7.2%	313,819
Administration	48.71	50.39	1.68	3.5%	331,011
Audit Fee	1.15	1.15	0.00	0.0%	7,530
Bad Debt Expense	20.64	22.32	1.68	8.1%	146,612
Billing and Collections	9.89	10.33	0.44	4.5%	67,886
Board of Directors	1.69	1.75	0.06	3.6%	11,513
Cable Television	5.63	6.50	0.87	15.5%	42,696
Contingency	0.00	0.00	0.00	0.0%	0
Credit Card Fee	25.71	24.07	(1.64)	(6.4%)	158,106
Electricity	28.31	29.63	1.32	4.7%	194,620
Front Desk	125.40	127.45	2.05	1.6%	837,188
Gas	16.60	17.01	0.41	2.5%	111,739
High Speed Internet	5.99	6.16	0.17	2.8%	40,472
Housekeeping ³	209.13	234.01	24.88	11.9%	1,537,227
Human Resources	15.43	15.90	0.47	3.1%	104,461
Income Tax	3.54	6.22	2.68	75.7%	40,886
Insurance	8.86	7.11	(1.75)	(19.8%)	46,705
Legal	0.76	0.76	0.00	0.0%	5,000
Maintenance	132.69	143.12	10.43	7.9%	940,174
Management Fee	125.22	129.73	4.51	3.6%	852,200
Owner Services ²	43.73	47.05	3.32	7.6%	309,068
Pool Maintenance ⁴	13.99	14.35	0.36	2.6%	94,265
Postage and Printing	7.29	6.54	(0.75)	(10.3%)	42,962
Property Taxes	60.48	63.97	3.49	5.8%	420,196
Summit Watch Condominium Owners Association, Inc.	232.51	241.29	8.78	3.8%	1,585,015
Telephone	4.75	4.75	0.00	0.0%	31,234
Water and Sewer	46.94	46.88	(0.06)	(0.1%)	307,955
Operating Fee	1,259.00	1,326.30	67.30	5.3%	8,712,506

Reserve Fee ¹	395.08	407.12	12.04	3.1%	2,674,346
Operating and Reserve Fee	1,654.08	1,733.42	79.34	4.8%	11,386,852

Total Maintenance Fee	1,609.94	1,668.32	58.38	3.6%	10,959,214
------------------------------	-----------------	-----------------	--------------	-------------	-------------------

SUMMIT WATCH RESORT OWNERS ASSOCIATION, INC.
2019 Estimated Operating Budget Notes
For The Period Beginning January 1, 2019 And Ending December 31, 2019

Notes to the 2019 Estimated Operating Budget

The total number of Units Weeks reflected does not include those 316 Unit Weeks currently owned by the Association. Costs and expenses associated with the 316 Unit Weeks is not expressly reflected within a single line item, but rather is proportionately spread within this budget and shared equally by all Owners.

1) The Bylaws for Summit Watch Owners Association, Inc. require the association's Board of Directors to disseminate to the members a budget including the methods and procedures for funding reserves pursuant to Section 8.2 of the Bylaws. Planned replacement reserves are the moneys that the association's Board of Directors has identified to be used to defray the future repair or replacement of, or additions to, those major components that the association is obligated to maintain.

The itemized estimate of the remaining life and estimated replacement of the major components are listed below:

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	% Of Fund Balance Over Replacement Costs	Age In Years As Of January 1, 2019	Year To Replace
Roof Replacement	20	\$60,344	8	\$46,719	\$1,480	77.42%	12	2026
Furniture and Fixtures	10	\$21,630,886	8	\$3,636,766	\$1,954,094	16.81%	2	2026
External Building Maintenance	16	\$5,174,803	12	\$538,495	\$335,657	10.41%	4	2030
Common Area Rehabilitation	10	\$3,315,281	5	\$1,110,354	\$383,115	33.49%	5	2023
TOTAL		\$30,181,314		\$5,332,334	\$2,674,346			

The association computes the estimated replacement reserves using procedures chosen by the Resort Management Committee, as follows:

The cash flow method is being used, which is based on a minimum twenty-year projection of the association's future income and expenses to fully fund its replacement reserve requirements each year during that twenty-year period. The cash flow method requires the association to assess and collect from its owners to fully fund 100% of the estimated replacement reserves, in order to establish a full replacement reserve for the association by the end of each budget year.

The remaining useful life of a component can be estimated by subtracting the current age of component from the useful life of such component. Each year, the association board may adjust the amount of the estimated replacement reserve for an asset based on reasonable projections for inflation and for interest earned during the estimated useful life of the asset.

2) 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.

3) 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 Exchange Company to account for housekeeping expenses necessitated by nightly use of accommodations by 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.

4) This represents payment under the terms of the Lease Agreement dated May 26, 1995 with Marriott Ownership Resorts, Inc., as may be amended, for the usage and maintenance of the recreational facilities complex, including the swimming pools and spas.

Capitalized terms not defined in these footnotes have the meaning given to them in the Declaration of Condominium for Summit Watch at Park City.

SUMMIT WATCH CONDOMINIUM ASSOCIATION, INC.

2019 Estimated Operating Budget

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

	2018 BUDGET TOTAL	2019 PROPOSED BUDGET TOTAL	2018 BUDGET VS 2019 BUDGET INCREASE/(DECREASE)		Time Share ²	Commercial ²
	\$	\$	\$	%		

Revenue						
Maintenance Fee	2,043,774	2,119,938	76,164	3.7%	1,585,015	534,923
Bank/Investment Interest	87	1,575	1,488	1710.3%	1,178	397
Miscellaneous Income	14,228	15,453	1,225	8.6%	11,554	3,899
Total Maintenance Fee Revenue	2,058,089	2,136,966	78,877	3.8%	1,597,746	539,220

Expenses						
Accounting	42,433	43,932	1,499	3.5%	32,847	11,085
Administration	106,792	110,480	3,688	3.5%	82,603	27,877
Audit Fee	7,350	7,530	180	2.5%	5,630	1,900
Board of Directors	7,857	8,151	294	3.7%	6,094	2,057
Contingency	-	-	-	0.0%	-	-
Electricity	72,783	65,220	(7,563)	(10.4%)	48,763	16,457
Gas	18,841	29,870	11,029	58.5%	22,333	7,537
Human Resources	5,350	5,498	148	2.8%	4,111	1,387
Income Tax	5,297	6,301	1,004	19.0%	4,711	1,590
Insurance	200,260	195,015	(5,245)	(2.6%)	145,807	49,208
Landscape / Grounds	85,324	87,843	2,519	3.0%	65,678	22,165
Legal	5,000	5,000	-	0.0%	3,738	1,262
Loss Prevention / Security	178,239	186,224	7,985	4.5%	139,234	46,990
Maintenance	170,657	174,457	3,800	2.2%	130,436	44,021
Management Fee	185,798	192,722	6,924	3.7%	144,093	48,629
Refuse Collection	35,085	41,274	6,189	17.6%	30,859	10,415
Water and Sewer	3,780	3,844	64	1.7%	2,874	970
Operating Fee	1,130,846	1,163,361	32,515	2.9%	869,811	293,550

Reserve Fee ¹	927,243	973,605	46,362	5.0%	727,936	245,669
Operating and Reserve Fee	2,058,089	2,136,966	78,877	3.8%	1,597,746	539,220

Total Maintenance Fee	2,043,774	2,119,938	76,164	3.7%	1,585,015	534,923
------------------------------	------------------	------------------	---------------	-------------	------------------	----------------

SUMMIT WATCH CONDOMINIUM ASSOCIATION, INC.
2019 Estimated Operating Budget Notes
For The Period Beginning January 1, 2019 And Ending December 31, 2019

Notes to the 2019 Estimated Operating Budget

1) The Condominium Bylaws for Summit Watch Condominium Owners Association, Inc. require the association's Board of Directors to disseminate to the members a budget including the methods and procedures for funding reserves pursuant to Section 8.2 of the Bylaws. Planned replacement reserves are the moneys that the association's Board of Directors has identified to be used to defray the future repair or replacement of, or additions to, those major components that the association is obligated to maintain.

The itemized estimate of the remaining life and estimated replacement of the major components are listed below:

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	% Of Fund Balance Over Replacement Costs	Age In Years As Of January 1, 2019	Year To Replace
Roof Replacement	24	\$2,149,917	8	\$669,833	(\$49,817)	31.16%	16	2026
Building Painting	10	\$444,995	3	\$60,123	(\$34,544)	13.51%	7	2021
External Building Maintenance	23	\$8,557,866	15	\$1,748,433	(\$122,236)	20.43%	8	2033
Common Area Rehabilitation	17	\$6,897,435	16	(\$1,773,939)	\$1,180,202	-25.72%	1	2034
TOTAL		\$18,050,213		\$704,450	\$973,605			

The association computes the estimated replacement reserves using procedures chosen by the Condominium Management Committee, as follows:

The cash flow method is being used, which is based on a minimum twenty-year projection of the association's future income and expenses to fully fund its replacement reserve requirements each year during that twenty-year period. The cash flow method requires the association to assess and collect from its owners to fully fund 100% of the estimated replacement reserves, in order to establish a full replacement reserve for the association by the end of each budget year.

The remaining useful life of a component can be estimated by subtracting the current age of component from the useful life of such component. Each year, the association board may adjust the amount of the estimated replacement reserve for an asset based on reasonable projections for inflation and for interest earned during the estimated useful life of the asset.

2) The Common Expenses allocated to the each Owner (Owners of Residential Units and Commercial Units) is based upon the proportional share of the ownership interest in the Common Areas and Facilities appurtenant to the Unit owned, as provided in the governing documents of the Association.

Capitalized terms not defined in these footnotes have the meaning given to them in the Declaration of Condominium for Summit Watch at Park City.