

December 5, 2016

Dear Marriott's Timber Lodge Owner:

Attached please find the minutes from Timber Lodge Condominium Association and Timber Lodge Timeshare Association Board Meetings held on October 5, 2016.

The minutes are being distributed to Owners as outlined in the Timber Lodge Condominium Association Declaration of Conditions, Covenants and Restrictions (CC&Rs), Article VI Management, 6.2 Specific Powers and Duties of the Condominium Association, (l) Minutes, Agenda and Policies.

For questions, contact Patricia Schille, General Manager, by telephone at 530-542-6601 or by email at Patricia.Schille@vacationclub.com.

Sincerely,

Patricia Schille
General Manager
Marriott's Timber Lodge

**Timber Lodge Condominium Association
Timber Lodge Timeshare Association**

Board of Directors Meeting

October 5, 2016

A regular meeting of Timber Lodge Condominium Association and Timber Lodge Timeshare Association Boards of Directors was held concurrently on October 5, 2016, at Marriott Grand Residence Club®, Lake Tahoe, Cascade Room, 1001 Heavenly Village Way, South Lake Tahoe, California 96150.

Present from each of the Boards of Directors were: David Babich, President; Candyce Beneke, Vice President; David Armitage, Treasurer and Daniel Craig, Secretary

Absent from the Boards of Directors was: John Albert, Director

Present from Marriott Vacation Club® International, representing the Management Company, were: Traci Besant, FF&E Manager; Greg Campbell, General Manager, Marriott Grand Residence Club®, Lake Tahoe; Craig Chilton, Director of Finance; Meghan Dorris, Assistant Controller; Gerry Deyoung, Director of Engineering; Steve Habaradas, Project Manager; Brian McDonald, Director of Room Operations; Patricia Schille, General Manager; Bob Spear, Regional Director of Operations-West; Scott Wilkerson-Area Director of Finance-West and Sheri Runyon, Executive Assistant, acting as Recording Secretary

Guests present were: Julie Vecchio, LUP Interiors; Chris Van Ruiten, Comerica Investments and Lew Feldman, GRCLT Condominium, Inc., Board Member

CALL TO ORDER

David Babich, President, called the meeting to order at 1:21 p.m., Pacific time.

A motion was made by David Armitage to hold Timber Lodge Condominium Association and Timber Lodge Timeshare Association Boards of Directors Meetings concurrently. The motion was seconded by Candyce Beneke and unanimously carried.

ESTABLISHMENT OF QUORUM

Mr. Babich announced with four out of five Board Members of each Association present, quorum was met for each Association.

APPOINTMENT OF RECORDING SECRETARY

Mr. Babich appointed Sheri Runyon to serve as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETINGS

Notice of Board Meeting was emailed to each Board Member of each Association on January 18, 2016 as required by each Association Bylaws.

OVERVIEW OF SENATE BILL SECTION 4900, EST.SEQ (OPEN MEETING ACT) OF THE CALIFORNIA CIVIL CODE

Mr. Babich reminded those present of the Davis-Stirling Act – Section 4900, et. seq.

APPROVAL OF AGENDA

A motion was made by Candyce Beneke to approve the Agenda as presented. The motion was seconded by David Armitage and unanimously carried.

APPROVAL OF BOARD MEETING MINUTES

A motion was made by David Armitage to approve the April 12, 2016 Timber Lodge Condominium Association and Timber Lodge Timeshare Association Board Meeting Minutes. The motion was seconded by Candyce Beneke and unanimously carried.

A motion was made by Candyce Beneke to approve the April 12, 2016 Timber Lodge Condominium Association and Timber Lodge Timeshare Association Organizational Meeting Minutes. The motion was seconded by Daniel Craig and unanimously carried.

A motion was made by Daniel Craig to approve the June 3, 2016 Timber Lodge Condominium Association and Timber Lodge Timeshare Association Special Board Meeting Minutes. The motion was seconded by David Armitage and unanimously carried.

2017 RENOVATION DISCUSSION

Steve Habaradas led the 2017 Renovation Discussion. Highlights included:

- Villa renovation will begin Fall 2017, beginning with Phases 2 and 3 in the Alpine Building
- Actual costs with contractor pricing and optional scope pricing will be presented to each Board at the January 10, 2017 Special Board Meeting
- The Board requested the following changes:
 - Eliminate accent tile in the villa entry
 - Change shower curtain option in lock off villas
 - Change position of on/off switch location on the lock off bed side lighting
 - Change entry mirror on wall to a fixed position
 - Research option of new dining chairs with the wood frame, similar to previous style
 - Resize coffee table, end table and most lamp shades
 - Redesign living area sconce
 - Shorten couch arms by 1.5-2 inches
 - Research alternative to table lamp clear glass in the master bedroom
- Lobby renovations will begin Spring 2018
- LED lighting upgrade cost is approximately \$2,000 per villa

FINANCIAL REPORT

Investment Report

Chris VanRuiten presented the Investment Report. Highlights included:

- As of August 31, 2016, total investments for Timber Lodge Timeshare Association were approximately \$22,000,000
- In 2017, the Timber Lodge Timeshare Association has approximately \$11,000,000 in expenditures forecasted
- All investments are insured by Federal Deposit Insurance Corporation (FDIC) for both Associations
- An Investment Sub-Committee Meeting for both Associations occurred on September 13, 2016

A motion was made by David Babich to continue the current investment strategy for 2017 with Comerica for Timber Lodge Condominium Association. The motion was seconded by David Armitage and unanimously carried.

A motion was made by David Babich to continue the current investment strategy for 2017 with Comerica for Timber Lodge Timeshare Association. The motion was seconded by Candyce Beneke and unanimously carried.

2016 Finance Report

Meghan Dorris presented the 2016 Finance Report. Highlights included:

- The audit firm, RSM, agreed to the current rate for 2017, if both Associations agree to a two-year commitment
- RSM has been the audit firm for the previous eight years; the Board requested a new lead auditor
- Forecast for Timber Lodge Condominium Association has a deficit of \$5000; key drivers include savings in Loss Prevention, a reduction in Bad Debt and overages in Refuse and Fees to Park Area Development Management Association which maintains Heavenly Village
- Total projected savings at year end for Timber Lodge Timeshare Association is \$23,000; key drivers include additional revenue, reduction in Bad Debt and savings in Engineering;

- Income Tax is not at the appropriate budgeted amount in comparison to Taxable Income; an increase will be proposed for 2017 to correct the alignment

Accounts Receivables

Ms. Dorris presented the Accounts Receivables. Highlights included:

- In 2015, the industry average of unpaid maintenance fees increased while Marriott Vacation Club's unpaid maintenance fees decreased
- Year to date, unpaid maintenance fees have decreased, compared to 2015

OPERATIONS REPORT

Lew Feldman presented updates on South Lake Tahoe. Highlights Included:

- A proposal to narrow Highway 50 and bypass the casinos and Stateline core is in the review stages; the proposal includes a more pedestrian friendly downtown area in front of Timber Lodge
- South Lake Tahoe is experiencing an affordable housing crisis
- New developments in South Lake Tahoe include Zalanta, full ownership condominiums; Edgewood Lodge, full service hotel at the Edgewood Golf Course and Tahoe Beach Club, full ownership condominiums

RECESS

The meeting recessed at 3:24 p.m.

RECONVENE

The meeting reconvened at 3:37 p.m., with all attendees present.

Scott Wilkerson stated the previous RSM lead auditor is no longer in the same position, therefore the lead auditor for the 2016 audit will be different.

The Board of Directors discussed the possibility of an Audit Sub-Committee.

A motion was made by David Armitage to re-engage RSM to prepare the 2016 and 2017 Audited Financials for Timber Lodge Condominium Association. The motion was seconded by Candyce Beneke and unanimously carried.

A motion was made by Candyce Beneke to re-engage RSM to prepare the 2016 and 2017 Audited Financials for Timber Lodge Timeshare Association. The motion was seconded by David Armitage and unanimously carried.

2016 Reserve Projects

Ms. Dorris presented the 2016 Reserve Projects. Highlights included:

- All previously approved 2016 Reserve Projects are expected to be completed by year end
- The increased demand for Electric Vehicle Charging Stations was discussed

A motion was made by David Armitage to approve \$20,000 for enhancements to the Skier Services area from Timber Lodge Timeshare Association 2016 Reserve Projects. The motion was seconded by Candyce Beneke and unanimously carried.

A motion was made by Candyce Beneke to approve \$11,000 for the installation of three Electric Vehicle Charging Stations from Timber Lodge Timeshare Association 2016 Reserve Expenditure contingent upon a policy to charge for usage. The motion was seconded by David Armitage and unanimously carried.

OPERATIONS REPORT (CONTINUED)

Brian McDonald presented the remainder of the Operations Report. Highlights included:

- Overall Satisfaction Score increased three points, compared to 2015

Action Items

Ms. Schille presented the Action Items. Highlights included:

- Exterior signage enhancements are being reviewed
- At the January 10, 2017 Board Meeting, Life Fitness will present complimentary enhancement designs for the Fitness Area
- Total displacement costs for the upcoming renovation is approximately \$110,000
- Legal research to combine Timber Lodge Timeshare Association and Timber Lodge Condominium Association started in 2012; further research is necessary to determine if the decision may be made by the Boards of Directors or by a vote of the Owners
- A benefit of collapsing one Association into another Association is having only one audit fee

The Board discussed further legal research of the governing documents and California statutes to determine the possibility of collapsing the Timber Lodge Condominium Association and Timber Lodge Timeshare Association into one Association, the Timber Lodge Timeshare Association. The Board President recommended continuing the legal research as the expense is budgeted.

2017 CONDOMINIUM AND TIMESHARE ASSOCIATIONS BUDGET PRESENTATIONS

2017 Budget Overview

Ms. Schille presented the 2017 Budget Overview. Highlights included:

- In 2017, the primary driver in the Operating Fee increase is due to the California minimum wage increase and the impact of the final ruling on the Federal Labor Standards Act
 - 53% of the proposed maintenance fee increase is a result of increases in wages and benefits
- The Management Company and the Board continue to implement cost savings including the INNCOM Villa Energy Management Thermostat, spa and pool covers, water conservation and recycling programs

2017 Budgets

Craig Chilton presented the Proposed 2017 Budget and Maintenance Fee for Timber Lodge Condominium Association. Highlights included:

- The total proposed 2017 Maintenance Fee includes an increase in Operating and Reserves Funds of 3.7 %

Fiscal Year Change

- Mr. Chilton proposed the Boards approve changing from the current 13 period fiscal year to a calendar year from January 1 to December 31.

A motion was made by Candyce Beneke to change Timber Lodge Condominium Association's current fiscal year to a calendar year, commencing each year on January 1 and ending on December 31, with such fiscal year change to be implemented for the 2017 calendar year, with the 2017 calendar year budget to reflect an additional one day (December 31, 2016) due to the transition from a 2016 periodic fiscal year to a 2017 calendar-based fiscal year. The motion was seconded by David Armitage and unanimously carried.

A motion was made by David Armitage to approve the 2017 Operating Budget of \$2,976,147 and 2017 Reserve Budget of \$724,987 for a total Timber Lodge Condominium Association Maintenance Fee of \$3,701,134, including each line item thereof. The motion was seconded by Candyce Beneke and unanimously carried.

Mr. Chilton presented the Proposed 2017 Budget and Maintenance Fee for Timber Lodge Timeshare Association. Highlights included:

- A review of the current cash flow reflects a negative balance in 2027
- A Reserve Study occurs every three years by an independent consultant to review the condition of assets
- The Reserve Study will review the current timeline for replacement of granite counter tops, cabinets, bath tubs, doors and wall tile
- The proposed increase to Timber Lodge Timeshare Association Annual Maintenance Fee is 3.8%

A motion was made by David Armitage to change Timber Lodge Timeshare Association's current fiscal year to a calendar year, commencing each year on January 1 and ending on December 31, with such fiscal year change to be implemented for the 2017 calendar year, with the 2017 calendar year budget to reflect an additional one day (December 31, 2016) due to the transition from a 2016 periodic fiscal year to a 2017 calendar-based fiscal year. The motion was seconded by Candyce Beneke and unanimously carried.

A motion was made by David Armitage to approve the 2017 Annual Maintenance Fee Budget for Timber Lodge Timeshare Association as follows: 1-Bedroom Operating Fee of \$528.31 and Reserve Fee of \$210.96, resulting in a total 1-Bedroom per-unit week maintenance fee of \$739.27; 2-Bedroom Operating Fee of \$651.80 and Reserve Fee of \$313.02, resulting in a total 2-Bedroom per-unit week maintenance fee of \$964.82 and 3-Bedroom Operating Fee of \$796.09 and Reserve Fee of \$432.27, resulting in a total 3-Bedroom per-unit week maintenance fee of \$1,228.36 for a total budget of \$12,680,541, including each line item thereof. The motion was seconded by Candyce Beneke and unanimously carried.

2017 Reserve Projects

Mr. Chilton reviewed the previously approved 2017 Reserve Projects. Highlights included:

- Currently allotted in the 2017 Timber Lodge Condominium Association Reserve Projects is \$290,453 for Common Area Renovations
- Currently allotted for the 2017 Villa Renovation for Timber Lodge Timeshare Association Reserve Projects is \$15,454,362
- Updates on specific items and contractor costs will be presented at the January 10, 2017 Special Board Meeting

NEW BUSINESS

Bylaw Amendment Review

Ms. Schille reminded the Board the Limited Proxy for the 2016 Annual Meeting included a vote to amend the Bylaws to permit proxies to be transmitted by electronic means and to permit transmitting notices and other documents and information by electronic means. The vote required to amend the Bylaws is 51% approval of the Owners. The final vote tally for both electronic noticing and voting was 44%. Therefore, the proposed amendments did not pass.

Ms. Schille explained the governing documents do not prohibit transmitting proxies electronically or the transmittal of notices and other documents and information by electronic means. However, state statute prohibits electronic transmission of proxies.

Ms. Schille stated Management cannot facilitate electronic voting until the law changes in favor of electronic voting or electronic transmittal. If the law changes, the Management Company will request the Board provide formal direction as to how to proceed with the distribution of proxies, notices and other documents since the proposed amendment did not pass. Ms. Schille reminded the Board they always have the option to seek guidance from Association counsel.

Non-Smoking Policy Amendment

The Board discussed the Non-Smoking Policy Amendment and agreed to accept the Amendment with the revision of "Owner" being changed to "registered occupant or registered occupants' guest, family or invitees", therefore stating the "Owner" not be liable for the \$250.00 smoking fee but the "registered occupant" would be responsible for the fee.

A motion was made by Daniel Craig to approve the Second Amendment to Timber Lodge Condominium Rules and Regulations and replace the term "Owner" with "registered occupant." The motion was seconded by Candyce Beneke and unanimously approved.

This page intentionally left blank