

Lake Forest Resort & Club Condominium Association
Board of Director's Meeting
Friday, April 27, 2018

Dan Krueger called the meeting to order at 8:30am. Those present were Dan Krueger, Tim Mikel, Laurie McWard, Tammy Schultz, Dennis Breidenbach, Michael Schultz, Curt Knapp, and Sue Couture. Once the quorum was established, Tim moved to approve the agenda, which it was. With no visitors in attendance, the meeting proceeded.

Secretary's Report

Curt made a motion to approve the minutes from the December 2017 board meetings (morning and afternoon). The motion was approved.

President's Report

Maintenance fee revenues are down significantly compared to the amount received by this time last year. Whether this is due to the increase in the amount of the fee is uncertain. While the number of weeks deeded back so far is about the same as the number deeded back last April, almost 40 more owners just haven't paid their fee yet.

While there hasn't been much of a negative reaction to the increase in maintenance fees, there has been a significant increase in the number of owners indicating that they want to sell their units - up from 3 new listings to 11 new ones so far this year. Most people indicating that they want to sell their week are usually in response to receiving the invoice for the annual maintenance fee. It's not that they feel that the amount is unreasonable, they just aren't using their week anymore and they want to disengage from ownership.

The thing that has caught my attention is that we are beginning to realize the escalation in delinquencies that we've been anticipating. The thing is, it's not necessarily being reflected in the week being deeded back. They just aren't paying. Whether this is just an anomaly this year or the actual increase in the rate of shrinkage and will continue on this track next year, I don't know if we can determine this.

Another observation I've had in the past several months is what appears to be the increase in advertising by companies offering to take timeshare ownership off people's hands. I'm not sure of what the various deals that they offer are, but as we've discussed before, this results in the deed for that week disappearing down the rabbit hole. We need to get in front of this potential issue to avoid the bigger problem of not having those weeks' deeds in our control.

After further review, the situation with the boilers and heating systems for the condos is expected that we won't have to replace all of the boilers. While other parts of the system require some fixes, it will be far less cost than we were planning for over the next few years. This change gives us more flexibility with our future planned asset replacements, the asset reserve fund, and the resultant maintenance fee amount.

The board is also looking into offering the annual meeting that is held in Milwaukee December as a virtual meeting. This would not only save the association money, but it would also make it more convenient for more owners to participate in the meeting. The board will be testing and evaluating over the next few months.

Treasurer's Report

The 2018 Year to Date budget is on target. Maintenance fee collections are a bit behind from last year at this time.

Bank Balances as of March 31, 2018
Operating Checking - \$27,709.00
Asset Reserves Fund - \$105,763.81
Operating Money Market - \$210,198.44

The operating account check register for January – March 2018 was reviewed and approved, and all board members present signed off.

Personnel and Policy

The committee and Sue Couture have created a list of action items and those were reviewed. The committee will review progress of those action items with Sue in September.

Asset Reserve

Condo Upgrades for 1st Quarter of 2018 include:

- New living room upholstered furniture in 117-123 and 116
- New kitchen countertops in 118 and 120
- Replaced all closet clothes rods and door pulls
- Replaced door knobs and hinges on all interior doors in 117-124
- Replaced bath vanity cabinet knobs and hinges in 109-124
- New shower curtains in all condo lower baths
- All fireplace fronts have been re-painted
- Paint and stain touch up in all condos including refinished several kitchen table tops
- Bedroom wood furniture re-finished (and drawer pulls installed) in 109-124
- New kitchen wall sconce over the sink in 101-104
- New washers and dryers in the 117-124 laundry room
- New interior doors in the lower level of 101, 103, 106 and 116
- New interior doors in the upper level of 104 and 110
- New kitchen appliances in 109 - 116, 121 and 123
- New kitchen countertops in 118 and 120
- New boiler and pressure tank in the 109-116 building
- New pressure tanks in 101-108 and 117-124 (117-124 also got some piping re-worked to eliminate the pinging and knocking)
- New master bedroom furniture in 103 - 108 (replacing the original!)
- New guest bedroom furniture in 101-108 (replacing the original!)
- New tone on tone white decorative top sheet for all beds
- New pillows and pillowcases on all beds
- New sheets for all twin and kings beds
- Window glass replacement in the entry foyer of 117-124
- Kitchen paneling removal in 101, 102, 104 and 105-108
- New bathroom light/fan ceiling fixtures in 117-124 and 101-104
- Resort Center updates: New brochure tables in the lobby
- New non-stick fry pan in each condo kitchen
- Most kitchen coffee makers replaced
- Continuing the cycle of replacing light switch covers with a decorative one
- Converting all old CFL light bulbs to LED for increased energy savings

Resort Manager Report

Summer housekeeping: We're happy to say that our team is fully staffed at this time.

Occupancy Statistics as compared to 2016: Low season was up by 4% due to better snow conditions and shoulder season was up 4% as well. High season occupancy was down 6% due to a dip in rentals.

On January 4, 2018 we entered into a affiliation agreement with RCI, the world's largest timeshare trading company. As of March 31, 2018 we had 15 owners join and 2 existing owners added their Lake Forest Resort weeks to their member account. We also renewed our affiliation with Interval International on a non-exclusive basis.

Maintenance Fee Collections: We finished up 2017 with 12.68% in bad debt, up 2.36% from year end 2016. Bad debt in the next several years is expected to increase dramatically as low season owner shrinkage continues to escalate. In an attempt to manage the rising bad debt issue we have entered into an agreement with a new collection agency - Source Receivables Management. Owners wishing to pay their maintenance fee by credit card may now do so with a 3% convenience fee added on. This fee offsets the credit card discount and fees.

Resale Activity: As of March 31, 2018 there were 363 weeks on the resale list, up .9% since August 31, 2017. That is 31.5% of the total weeks in our annual calendar. The fixed week timeshare product is over 50 years old and finding people interested in purchasing is an enormous challenge. We urge all owner families to recommend Lake Forest Resort to family and friends. Information on the 'Lake Forest Resort Ambassador Program' can be found in your condo directory and on our website.

Rental Program: Gross rental revenue for 2017 was \$173,644 as compared to \$169,892 in 2016. Since 2012 the program has grown by over 20%. The association needs the program to continue to thrive to offset growing bad debt.

In the first quarter of 2017 we had 97 renters stay at the resort. 17 were new renters who found us through an internet search, 3 new renters were referrals, 11 new renters found us through online travel agencies, 9 new renters booked directly through our website, 32 were repeat renters, 10 were repeat renters who booked directly through our website and 15 were owners.

Revenue Generators / Savings: The idea of charging a boat docking fee was brought up at the annual meeting. It was discussed at length and decided that owners should have free docking included as part of their maintenance fee and renters as part of their condo rental rate. Attendance at the Annual Owner's Meeting continues to decline. This past December there were less than 40 owners present and it cost the association over \$100 per owner to hold the meeting. In an effort to cut expenses it was decided to explore and evaluate electronic meeting options. The owners meeting for 2018 will still take place in Milwaukee this coming December.

Interval International Customer Satisfaction Index Summary: In 2017 we had 163 trade ins who came to the resort through Interval International. Of those that returned the Interval Customer Satisfaction Index, we rated higher than their system average for select resorts. In the categories of resort services, resort property, resort accommodations, and vacation experience we scored an overall 86% while the system average was 82%.

Late Summer Algae Bloom: In late Summer of 2017 there was an algae bloom on Voyageur Lake which turned the water a murky green for several weeks. While it wasn't a toxic bloom it still was quite unsightly and there were concerns. Should this occur again we'll call out the health department immediately to test the water so we can assure owners and guests that the lake water is safe.

Silt issue in the bay: Last year I spoke with a lake management expert with the Dept. of Natural Resources about the condition of our bay and the rising silt issue. Until the silt is within 18" of the water's surface and the bay is not navigable around the piers, we cannot apply for a dredging permit. Unfortunately, dredging is likely to be cost prohibitive. As a result, we'll be taking some pro-active measures to move the silt away from the piers with aerators.

TimeSharing Today: Scam Alert

The vast majority of industry experts and consumer-protection agencies agree: Telemarketing, direct-mail, and email offers targeting timeshare owners usually turn out to be scams. Ignore such offers. Remember what your mother told you: Don't talk to strangers.

Talk only to verifiable legitimate sources. Otherwise you risk having one timeshare scammer market your personal information to other timeshare scammers, and to identify thieves.

Don't give out personal or credit-card information, send funds via money order or wire transfer, or fill out online forms, unless you absolutely know with whom you are dealing. Legitimate companies have been victims of corporate identity theft.

Bogus websites and offers may look like the real thing, but with subtle differences in the contact information.

Don't pay upfront fees. Paying an advance fee to get out of your timeshare obligations may result in a transfer to a buyer who has no intention of using the timeshare or paying the maintenance fees. You could end up losing the money you paid, and still be obligated to pay the maintenance fees.

Always check with your resort first about its current policies; many have implemented their own stringent transfer requirements. Also, an increasing number of resorts are accepting deedbacks from owners who no longer can use or afford their timeshares.

If you can't resist the temptation to talk to strangers who contact you, just tell them your attorney will contact them to handle all aspects of any transaction on your behalf. Then let your attorney protect you from yourself. If you don't have an attorney, then don't have the conversation.

With no other business, Dennis motioned to adjourn the meeting. This was approved and the meeting was adjourned at 9:00am.