

MVC TRUST OWNERS ASSOCIATION, INC.
Estimated Association Common Expense Budget
For the Period Beginning January 1, 2018 and Ending December 31, 2018

	<u>Annual Total</u>	<u>Per Beneficial Interest</u>
Revenues		
Assessments to Beneficiaries (excluding Exchange Company Dues) ⁽¹⁾	\$230,975,933	\$138.250
Assessments to Beneficiaries (Exchange Company Dues) ⁽²⁾	26,352,140	15.773
Bank/Investment Interest	16,707	0.010
Late Fees	894,167	0.535
Maintenance Fee Interest Income	1,773,166	1.061
Total Revenue	260,012,113	\$155.630
Component Expenses		
Component Expenses ⁽³⁾	213,468,470	127.771
Contingency ⁽⁴⁾	1,205,306	0.721
Total Component Expenses	214,673,776	128.492
Trust Association Administration		
Administration	1,067,080	0.639
Audit Fee	16,707	0.010
Bad Debt Expense	4,348,863	2.603
Billing and Collections	1,312,504	0.786
Board of Directors	13,366	0.008
Component Services ⁽⁵⁾	1,348,265	0.807
Credit Card Fee	3,506,824	2.099
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	66,782	0.040
Exchange Company Dues ⁽⁶⁾	26,352,140	15.773
Income Tax	5,012	0.003
Insurance	88,548	0.053
Management Fee ⁽⁷⁾	3,880,846	2.323
Postage and Printing	322,447	0.193
Property Taxes ⁽⁸⁾	2,907,039	1.740
Trustee Fees	101,914	0.061
Total Administration Expenses	45,338,337	\$27.137
Total Expenses	260,012,113	\$155.630
Exchange Company Dues - per Beneficiary ⁽⁹⁾		\$195 or \$235 or \$260

The following table is shown for illustrative purposes only:

Ownership Recognition Levels	Interests Purchased	Per Interest	Maintenance Fee	Exchange Company Dues	Total
Owner	6	\$138.25	\$829	\$195	\$1,024
Select	16	\$138.25	\$2,212	\$195	\$2,407
Executive	28	\$138.25	\$3,871	\$235	\$4,106
Presidential	40	\$138.25	\$5,530	\$235	\$5,765
Chairman's Club	60	\$138.25	\$8,295	\$260	\$8,555

MVC TRUST OWNERS ASSOCIATION, INC.
2018 Estimated Association Common Expense Budget Notes
For The Period Beginning January 1, 2018 And Ending December 31, 2018

Notes to the 2018 Estimated Operating Budget

1) In addition to Assessments, international owners (not residing in the U.S. or Canada) of Interests may be assessed, at the Association's discretion, an annual fee (the "International Beneficiary's Surcharge") which relates to the added costs for postage, personal delivery, increased frequency of costs associated with long distance telephone calls, translation costs, additional costs for telefacsimile communications and labor costs for additional special support staff. The current International Beneficiary's Surcharge is \$34.50 annually. The International Beneficiary'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 fifteen percent (15%) of the International Beneficiary's Surcharge in the immediately preceding year, unless approved by a majority of all Beneficiaries.

2) Exchange Company Dues are assessed on a "per owner" basis rather than a "per Beneficial Interest" basis. Accordingly, revenues and expenses associated with Exchange Company Dues are shown on the budget on a "per Beneficial Interest" basis for reference only. Exchange Company Dues may sometimes be referred to as Club Dues.

3) Component Expenses includes the Assessments paid by the Association to the owners associations which govern the resorts in which the Trust owns timeshare interests or units. Such Assessments may include fees payable to on-site operators other than Trust Manager who are engaged to manage resorts in which the Trust owns timeshare interests or units. Certain budgeted Common Expenses have been included in the Component Expenses section of the budget based on the assumption that a condominium structure will apply to the Trust Property(ies) from which such Common Expenses arise. In the event that such a condominium structure is not realized for one or more such Trust Properties, the applicable Common Expenses may be removed from Component Expenses and included in one or more separate line items in future Association budgets. For most Trust Properties, the Association is responsible for paying a portion of the amounts necessary for reserves under the Component Association's budget, and the Association's budget includes these reserve items in the Component Expenses. However, for some Trust Properties, the Association may budget for, and separately accrue, funds for reserve expenses which are not reflected in Component Expenses. The Association may be specially assessed from time to time by one or more Component Associations relative to common expenses in excess of the Component Associations' operating budget(s). This Association budget may include certain estimated Component Expenses which are subject to proposed Component Association budgets that have not yet been approved by the applicable Component Association board of directors.

4) This line item represents estimated Component Expenses which may be required as a result of damage caused by Hurricane Irma at resorts in which the Trust owns timeshare interests or units. These costs and expenses, which are not anticipated to be reimbursable under applicable insurance policies, may be included in the annual budgets of the Component Associations which govern the resorts in which the Trust owns timeshare interests or units, and assessed to the Association and to other owners of timeshare interests or units at the applicable resorts.

5) Component Services include the incremental costs of services provided in connection with Beneficiaries' nightly use of Accommodations which are not otherwise included in the Component Expenses. These services may include, but are not limited to, housekeeping, engineering, loss prevention and front desk services necessitated by nightly use of Accommodations.

6) Exchange Company Dues includes costs and expenses related to owner education, reservation services, owner communications and other programs and services provided by the Exchange Company. Exchange Company Dues may be increased from time to time as provided in the Trust Plan Documents. Pursuant to the Marriott Vacation Club Destinations Exchange Program MVC Trust Affiliation Agreement, Exchange Company has been delegated the authority by the Association to provide all services incidental to the reservation and use of the Trust Property. Exchange Company Dues charged to and paid by the Association to Exchange Company may include expenses incurred through affiliates of Exchange Company. Certain of the expenses included in the Exchange Company Dues charged to and paid by the Association to Exchange Company, including expenses for Owner Services, may reflect economies of scale associated with the number of projects or affiliated programs managed by Exchange Company and the affiliated relationship between Exchange Company and Trust Manager. Therefore the amounts charged for such expenses may reflect pricing that is different than what equivalent services would cost if charged on an independent case-by-case basis.

7) In accordance with the MVC Trust Management Agreement, this Management Fee is equal to 10% of all money that Trust Manager is required to collect pursuant to the Association's annual budget (exclusive of the Management Fee itself and Component Expenses), but inclusive of any ad valorem taxes assessed directly to the Association or Beneficiaries, and for special assessments not part of the Association's annual budget.

8) The estimated real estate taxes for the Association are projected to be \$2,907,039. The real estate taxes are for the Marriott's Newport Coast Villas, Marriott's Timber Lodge at Lake Tahoe, Marriott's Desert Springs Villas, Marriott's Desert Springs Villas II, Marriott's Shadow Ridge, Marriott's Frenchman's Cove, The Ritz-Carlton Club, St. Thomas - Suites and Marriott's Grand Residence Club Lake Tahoe Accommodations because the Component Expenses for California and U.S. Virgin Islands properties do not include real estate taxes. The Association will pay these property taxes to the appropriate taxing authority for the jurisdiction in which the California and U.S. Virgin Islands Accommodations are located.

9) Exchange Company Dues are billed at a rate of either \$195, \$235 or \$260 per Beneficiary, depending on the Beneficiary's ownership recognition level.

2018 Reserve Analysis and Notes:

(a) Florida Law requires the Association to maintain reserves for deferred maintenance and capital expenditures, based on the estimated life and replacement cost of each reserve item. Actual expenditures may vary from the estimated replacement costs.

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

- * 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.

Components	Estimated Useful Life In Yrs	Estimated Replacement Cost (c)	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of January 1, 2018	Contribution For 2018 (d)
Roof Replacement	20	-	20	-	-
Furniture and Fixtures	8	-	8	-	-
Building Painting	8	-	8	-	-
External Building Maintenance	10	-	10	-	-
Pavement Resurfacing	12	-	12	-	-
Common Area Rehabilitation	8	-	8	-	-
TOTAL		-		-	-

(b) Under Section 721.13(3)(c)2, Florida Statutes, reserve funds may be reallocated among the reserve accounts by the Board without the consent of Beneficiaries.

(c) The components' actual replacement costs and useful lives may vary from the estimated amounts. If additional funds are needed, the Board may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

(d) The Association is responsible for paying a portion of the amounts necessary for reserves under each Component Association's budget. The Association's budget includes these reserve items in the Component Expenses; provided, however, that some Component Associations may determine to provide less than full funding of reserves to the extent permitted under applicable law. Please refer to Exhibit A for a listing of Non-Florida Component sites.

(e) On May 4, 2017, at a duly called meeting of the Association, a majority of the Beneficiaries voting in person or by limited proxy voted, in accordance with Article VI, Section 2(n), of the Association's Bylaws, to approve lower reserve funding than would otherwise be required by applicable law for the Florida Component sites.

Notes from 2016 Audit: Certain services, including accounting and administration, are provided by MRHC and allocated to the Association based on the number of unit weeks (based on points conversion), as a percentage of total unit weeks (based on points conversion). In addition, Marriott Vacations Worldwide Corporation pays all invoices on behalf of the Association for which the Association reimburses Marriott Vacations Worldwide Corporation. The amount due (to) from Marriott Vacations Worldwide Corporation as of December 30, 2016 and January 1, 2016 was (\$27,774) and \$87,461, respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of maintenance fees receivable due from MRHC at December 30, 2016 and January 1, 2016 was \$3,535,578 and \$6,973,177, respectively.

Pursuant to the Bylaws, each Beneficiary is responsible for a share of the Common Expenses based, in part, on the number of Points associated with such Beneficiary's Interest(s) divided by the total Points for Sale attributed to Trust Property for which a Notice of Use Rights has been issued. As of September 2, 2017, there were 390,776,319 such Points for Sale and 408,861,731 Points for Use.

Exhibit A

As required by Florida law, the table below provides the following information for the non-Florida sites in the MVC Trust: (i) the amount of reserve funding required by the law of the situs state for the interests at such component owned by MVC Trust, and (ii) the amount of reserve funding actually provided (if any) in the MVC Trust Association's budget for such interests. The Association is responsible for paying a portion of the amounts necessary for reserves under the Component Association's budget and the Association's budget includes these reserve items in the Component Expenses.

Non-Florida Sites in the MVC Trust as of 9/2/2017

	Reserve funding Required by Situs State (i)	2018 Budgeted Reserve Funding (ii)	Variance
Barony Beach Club	\$ -	\$ 600,182.11	\$ 600,182.11
Birch	-	163,345.79	163,345.79
Canyon Villas	-	908,157.81	908,157.81
Desert Springs	4,698,012.98	2,528,149.50	(2,169,863.48)
Douglas	-	197,919.28	197,919.28
Evergreen	-	268,155.40	268,155.40
Fairway Villas	-	610,929.17	610,929.17
Frenchman's Cove	-	382,188.93	382,188.93
Grand Chateau	-	5,205,262.67	5,205,262.67
Grande Ocean	-	531,248.94	531,248.94
GRC Lake Tahoe	-	502,052.26	502,052.26
Harbour Club	-	134,145.21	134,145.21
Harbour Point	-	204,091.22	204,091.22
Heritage Club	-	105,762.20	105,762.20
Kauai Beach Club	199,842.65	529,621.39	329,778.74
Kauai Kalanipu'u	527,900.60	1,491,040.32	963,139.72
Ko Olina Beach Club	-	2,046,884.50	2,046,884.50
Manor Club	-	212,609.82	212,609.82
Manor Club Sequel	-	143,613.84	143,613.84
Maui Ocean Club	352,009.07	1,072,898.07	720,889.00
Maui Sequel	198,152.13	601,979.44	403,827.31
Mayflower	-	481,615.25	481,615.25
Monarch	-	404,103.57	404,103.57
Mountain Side	-	412,678.68	412,678.68
Mountain Valley Lodge	-	286,133.68	286,133.68
Newport Coast	8,135,616.80	3,937,277.40	(4,198,339.40)
Ocean Watch	-	791,751.50	791,751.50
RCC Lake Tahoe	-	183,454.04	183,454.04
RCC San Francisco	-	425,228.74	425,228.74
RCC St. Thomas	-	416,893.32	416,893.32
RCC Vail	-	1,178,319.03	1,178,319.03
San Diego	-	56,407.22	56,407.22
Shadow Ridge	3,693,292.85	3,250,765.44	(442,527.41)
Summit Watch	-	422,947.58	422,947.58
Sunset Pointe	-	83,077.00	83,077.00
Surf Watch	-	348,845.51	348,845.51
Timber Lodge	2,103,034.10	1,996,967.22	(106,066.88)
Waiohai Beach Club	119,959.43	371,572.37	251,612.94
Willow Ridge	-	922,698.13	922,698.13
Total Reserves	\$ 20,027,820.60	\$ 34,410,973.54	\$ 14,383,152.94

MVC Trust Owners Association, Inc.
2018 Common Expense Budget
Frequently Asked Questions

Q. What are maintenance fees and who determines them?

- A. Assessments (or “maintenance fees” as such term is often utilized instead of the term “Assessments”) are billed and collected to allow for the funding and payment of costs and expenses related to the operation and maintenance of the Trust plan property. These Assessments are based upon the operating budget prepared by the management company and approved by the Trust Association’s board of directors.

The Board adopts a budget for the Common Expenses prior to each fiscal year in compliance with applicable law and the Trust Association’s governing documents. The affirmative vote of a majority of the directors is required to approve any budget.

Q. When are Assessments due?

- A. Please refer to your Assessment invoice for your exact due date and amount due. Please kindly remember to remit payments on time. According to Section 6 of Article VII of Bylaws of MVC Trust Owners Association, Inc., Assessments and any other outstanding obligations owed to the Trust Association, as well as any installments relating thereto, and special charges, if not paid within ten (10) calendar days after the date they become due, may bear interest at the rate of eighteen percent (18%) per annum or the highest rate allowed by law, if that rate is less, until paid, and may also be subject to an administrative late fee per Interest as established by the Board in the Rules and Regulations from time to time. Currently, the administrative late fee is \$25 per Beneficiary.

Q. What are my Assessment payment options?

- A. **Option 1:** You may pay 24 hours a day, 7 days per week at www.MarriottVacationClub.com.

Option 2: Mail your check payable to MVC Trust Owners Association, Inc. (with or without your Assessment coupon) to:

MVC Trust Owners Association, Inc.
c/o: Marriott Resorts Hospitality Corporation
P.O. Box 382056
Pittsburgh, PA 15250-8056
(Please include your customer number on your check)

Deliveries that require a signature (e.g. certified, registered, or overnight) should be mailed to:

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

Option 3: Contact a Financial Services Representative at 1-800-845-4226 or 1-801-828-1046.

Q. Why are Assessments due in December when I don’t occupy until later in year 2018?

- A. Each Beneficiary is liable for all Assessments coming due while the person or entity is a Beneficiary. In order to pay for all component site expenses due at the beginning of the next fiscal year, the Trust Association must collect Assessments from its members to allow for the timely payment of all component expenses payable by the Trust Association.

Q. What is International Beneficiary's Surcharge?

A. In addition to Assessments, international owners (not residing in the U.S. or Canada) of Interests may be assessed, at the Association's discretion, an annual fee (the "International Beneficiary's Surcharge") which relates to the added costs for postage, personal delivery, increased frequency costs associated with long distance telephone calls, translation costs, additional costs for telefacsimile communications and labor costs for and additional special support staff. The current International Beneficiary's Surcharge is \$34.50 annually. The International Beneficiary'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 fifteen percent (15%) of the International Beneficiary's Surcharge in the immediately preceding year, unless approved by a majority of all Beneficiaries.

Q. What are Exchange Company Dues?

A. Exchange Company Dues includes costs and expenses related to owner education, reservation services, owner communications and other programs and services provided by the Exchange Company. Exchange Company Dues may be increased from time to time as provided in the Trust Plan Documents. Pursuant to the Marriott Vacation Club Destinations Exchange Program MVC Trust Affiliation Agreement, Exchange Company has been delegated the authority by the Association to provide all services incidental to the reservation and use of the Trust Property. Exchange Company Dues charged to and paid by the Association to Exchange Company may include expenses incurred through affiliates of Exchange Company. Certain of the expenses included in the Exchange Company Dues charged to and paid by the Association to Exchange Company, including expenses for Owner Services, may reflect economies of scale associated with the number of projects or affiliated programs managed by Exchange Company and the affiliated relationship between Exchange Company and Trust Manager. Therefore the amounts charged for such expenses may reflect pricing that is different than what equivalent services would cost if charged on an independent case-by-case basis. Exchange Company Dues are assessed as a cost "per Owner" basis rather than a "per Beneficial Interest" basis. Accordingly, revenues and expenses associated with Exchange Company Dues are shown on the budget on a "per Beneficial Interest" basis for reference only. Starting in 2016, Beneficial Interest ownership levels were enhanced to 5 ownership recognition levels as illustrated below:

Ownership Recognition Levels	Interests Purchased	Per Interest	Maintenance Fee	Exchange Company Dues	Total
Owner	6	\$138.25	\$829	195	\$1,024
Select	16	\$138.25	\$2,212	195	\$2,407
Executive	28	\$138.25	\$3,871	235	\$4,106
Presidential	40	\$138.25	\$5,530	235	\$5,765
Chairman	60	\$138.25	\$8,295	260	\$8,555

Q. Property Tax has been included in the budget. Why does the Trust Association have to pay Property Tax?

A. In some jurisdictions, such as California and U.S. Virgin Islands, the tax authority bills the owner property taxes directly, thus the property tax is not included in the annual Maintenance Fees levied by component associations. The Trust Association will pay these property taxes directly to the appropriate taxing authority. The Trust Association pays the property tax for accommodations directly for: Marriott's Newport Coast Villas, Marriott's Timber Lodge at Lake Tahoe, Marriott's Desert Springs Villas, Marriott's Desert Springs Villas II, Marriott's Shadow Ridge, Marriott's Frenchman's Cove, The Ritz-Carlton Club, St. Thomas - Suites and Marriott's Grand Residence Club Lake Tahoe.

Q. Why has Assessment revenue increased from 2017 to 2018?

A. The increase in Assessment revenue is mainly due to the increase in Component Expenses. Component Expenses are expected to increase due to 24% increase in component site weeks added to the Trust, and a weighted average rate increase of 4.6% in the Component Associations' maintenance fees paid by the Trust Association (which includes \$0.72 per BI contingency related to Hurricane Irma).

Q. What are Component Expenses?

- A. Component Expenses includes the Assessments paid by the Association to the owners associations which govern the resorts in which the Trust owns timeshare interests or units. Such Assessments may include fees payable to on-site operators other than Trust Manager who are engaged to manage resorts in which the Trust owns timeshare interests or units. Certain budgeted Common Expenses have been included in the Component Expenses section of the budget based on the assumption that a condominium structure will apply to the Trust Property(ies) from which such Common Expenses arise. In the event that such a condominium structure is not realized for one or more such Trust Properties, the applicable Common Expenses may be removed from Component Expenses and included in one or more separate line items in future Association budgets. For most Trust Properties, the Association is responsible for paying a portion of the amounts necessary for reserves under the Component Association's budget, and the Association's budget includes these reserve items in the Component Expenses. However, for some Trust Properties, the Association may budget for, and separately accrue, funds for reserve expenses which are not reflected in Component Expenses. The Association may be specially assessed from time to time by one or more Component Associations relative to common expenses in excess of the Component Associations' operating budget(s). The Component Expenses are expected to increase in 2018 vs. 2017 due to the 24% increase in inventory added to the Trust.

Q. Why is bad debt so high?

- A. Each Beneficiary is liable for all Assessments coming due while the person or entity is a Beneficiary. The Trust Association may bring an action for a money judgment against a delinquent Beneficiary to collect all sums due the Trust Association, including interest, late charges, costs and reasonable attorneys' fees. Bad debt expense represents uncollectable Assessments billed to Beneficiaries (i.e., owners of interests in MVC Trust). The growth in the Trust Association's bad debt expense is due to the projected growth in the billable Assessments. The number of Beneficial Interests is expected to increase 20% from 2017 to 2018. The uncollected percentage (uncollected receivables divided by the total Assessments billed) is estimated at 2.0% in 2018, which is lower than the prior year budget of 2.2%. For comparative purposes only, the average industry delinquency rate is 9.5% for 2016 (according to ARDA).

Q. Why are credit card expenses increasing?

- A. Credit card fees are transaction fees paid by the Trust Association. These transaction fees are incurred when owners pay their Assessments by credit card. As the MVC Trust's owner base increases, credit card fees increase. The MVC Trust's owner base is expected to increase 15% from 2017 to 2018, and owner credit card usage is expected to be 83% of total owner payments.