

**MVC TRUST OWNERS ASSOCIATION, INC.**  
**Estimated Association Common Expense Budget**  
**For the Period Beginning January 1, 2019 and Ending December 31, 2019**

	<u>Annual Total</u>	<u>Per Beneficial Interest</u>
<b>Revenues</b>		
Assessments to Beneficiaries (excluding Exchange Company Dues) <sup>(1)</sup>	\$276,703,500	\$145.000
Assessments to Beneficiaries (Exchange Company Dues) <sup>(2)</sup>	30,412,577	15.937
Bank/Investment Interest	43,891	0.023
Late Fees	905,125	0.474
Maintenance Fee Interest Income	2,230,570	1.169
<b>Total Revenue</b>	<b>310,295,663</b>	<b>\$162.603</b>
<b>Component Expenses</b>		
Component Expenses <sup>(3)</sup>	257,694,623	135.039
<b>Total Component Expenses</b>	<b>257,694,623</b>	<b>135.039</b>
<b>Trust Association Administration</b>		
Administration	1,043,840	0.547
Audit Fee	17,175	0.009
Bad Debt Expense	5,614,219	2.942
Billing and Collections	1,503,867	0.788
Board of Directors	13,358	0.007
Component Services <sup>(4)</sup>	1,331,993	0.698
Credit Card Fee	4,427,222	2.320
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	80,464	0.042
Exchange Company Dues <sup>(5)</sup>	30,412,577	15.937
Income Tax	13,358	0.007
Insurance	86,124	0.045
Management Fee <sup>(6)</sup>	4,492,138	2.354
Postage and Printing	372,119	0.195
Property Taxes <sup>(7)</sup>	3,091,446	1.620
Trustee Fees	101,140	0.053
<b>Total Administration Expenses</b>	<b>52,601,040</b>	<b>\$27.564</b>
<b>Total Expenses</b>	<b>310,295,663</b>	<b>\$162.603</b>
<b>Exchange Company Dues - per Beneficiary<sup>(8)</sup></b>		<b>\$205 or \$245 or \$270</b>

The following table is shown for illustrative purposes only:

Ownership Recognition Levels	Interests Purchased	Per Interest	Exchange Company		Total
			Maintenance Fee	Dues	
Owner	6	\$145.00	\$870	\$205	\$1,075
Select	16	\$145.00	\$2,320	\$205	\$2,525
Executive	28	\$145.00	\$4,060	\$245	\$4,305
Presidential	40	\$145.00	\$5,800	\$245	\$6,045
Chairman's Club	60	\$145.00	\$8,700	\$270	\$8,970

**MVC TRUST OWNERS ASSOCIATION, INC.**  
**2019 Estimated Association Common Expense Budget Notes**  
**For The Period Beginning January 1, 2019 And Ending December 31, 2019**

Notes to the 2019 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) 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.

5) 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.

6) 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.

7) The estimated real estate taxes for the Association are projected to be \$3,091,446. 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.

8) Exchange Company Dues are billed at a rate of either \$205, \$245 or \$270 per Beneficiary, depending on the Beneficiary's ownership recognition level.

**2019 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, 2019	Contribution For 2019 (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	-	-
<b>TOTAL</b>					

(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 3, 2018, 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 2017 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 from (to) Marriott Vacations Worldwide Corporation as of December 31, 2017 and December 30, 2016 was \$60,026 and (\$27,774), 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 \$5,980,575 and \$3,535,578, 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 29, 2018, there were 460,260,814 such Points for Sale and 442,640,500 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 9/29/2018

	Reserve funding Required by Situs State (i)	2019 Budgeted Reserve Funding (ii)	Variance
Barony Beach Club	\$ -	\$728,106	\$728,106
Birch	-	221,131	221,131
Canyon Villas	-	1,002,331	1,002,331
Desert Springs	3,309,954	2,971,619	(338,335)
Douglas	-	237,483	237,483
Evergreen	-	383,031	383,031
Fairway Villas	-	774,605	774,605
Frenchman's Cove	-	482,775	482,775
Grand Chateau	-	5,528,023	5,528,023
Grande Ocean	-	623,426	623,426
GRC Lake Tahoe	-	508,861	508,861
Harbour Club	-	240,007	240,007
Harbour Point	-	588,344	588,344
Heritage Club	-	182,986	182,986
Kauai Beach Club	295,208	616,313	321,105
Kauai Kalanipu'u	341,908	1,605,331	1,263,423
Ko Olina Beach Club	-	2,505,260	2,505,260
Manor Club	-	269,127	269,127
Manor Club Sequel	-	185,878	185,878
Maui Ocean Club	426,403	1,368,648	942,245
Maui Sequel	226,945	728,677	501,731
Mayflower	-	506,115	506,115
Monarch	-	703,176	703,176
Mountain Side	-	470,483	470,483
Mountain Valley Lodge	-	338,622	338,622
Newport Coast	3,910,504	4,264,955	354,452
Ocean Watch	-	939,077	939,077
RCC Lake Tahoe	-	192,155	192,155
RCC San Francisco	-	437,628	437,628
RCC St. Thomas	-	479,506	479,506
RCC Vail	-	1,229,283	1,229,283
San Diego	-	1,492,278	1,492,278
Shadow Ridge	4,443,720	3,558,978	(884,742)
Summit Watch	-	465,770	465,770
Sunset Pointe	-	140,425	140,425
Surf Watch	-	474,303	474,303
Timber Lodge	2,314,084	2,093,691	(220,393)
Waiohai Beach Club	188,043	553,738	365,695
Willow Ridge	-	1,019,256	1,019,256
<b>Total Reserves</b>	<b>\$15,456,769</b>	<b>41,111,400</b>	<b>\$25,654,631</b>

**MVC Trust Owners Association, Inc.**  
**2019 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](http://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 2019?**

- 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:

<b>Ownership Recognition Levels</b>	<b>Interests Purchased</b>	<b>Per Interest</b>	<b>Maintenance Fee</b>	<b>Exchange Company Dues</b>	<b>Total</b>
Owner	6	\$145.00	\$870	\$205	\$1,075
Select	16	\$145.00	\$2,320	\$205	\$2,525
Executive	28	\$145.00	\$4,060	\$245	\$4,305
Presidential	40	\$145.00	\$5,800	\$245	\$6,045
Chairman	60	\$145.00	\$8,700	\$270	\$8,970

**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 2018 to 2019?**

A. The increase in Assessment revenue is mainly due to the increase in Component Expenses. Component Expenses are expected to increase due to 15% increase in component site weeks added to the Trust, and a weighted average rate increase of 5% in the Component Associations' maintenance fees paid by the Trust Association.

**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 2019 vs. 2018 due to the 15% 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 14% from 2018 to 2019. The uncollected percentage (uncollected receivables divided by the total Assessments billed) is estimated at 2.0% in 2019, which is the same as the prior year budget. For comparative purposes only, the average industry delinquency rate is 8.7% for 2017 (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 14% from 2018 to 2019, and owner credit card usage is expected to be 84% of total owner payments.