

**CYPRESS HARBOUR CONDOMINIUM ASSOCIATION, INC.**

2017 Estimated Operating Budget

PHASES 1-20 & 22-25 (510 UNITS - 26,010 UNIT WEEKS)

For The Period Beginning December 31, 2016 And Ending December 31, 2017

	2016 BUDGETED EXPENSES 26,010 UNIT WEEKS (PER UNIT WEEK)	2017 APPROVED BUDGET 26,010 UNIT WEEKS (PER UNIT WEEK)	2016 BUDGET VS 2017 BUDGET INCREASE/(DECREASE)		2017 APPROVED BUDGET TOTAL \$
			\$	%	

<b>Revenue</b>					
SPECIAL (WEEKS 1 - 17,51 - 52)	1,195.98	1,242.61	46.63	3.9%	12,041,109
SPORT (WEEKS 18 - 23,34 - 50)	1,143.26	1,189.89	46.63	4.1%	13,350,818
SUMMER (WEEKS 24 - 33)	1,174.07	1,220.70	46.63	4.0%	6,225,685
Bank/Investment Interest	0.39	0.85	0.46	117.9%	22,037
Late Fees	7.26	6.67	(0.59)	(8.1%)	173,595
Maintenance Fee Interest Income	15.72	11.25	(4.47)	(28.4%)	292,545
<b>Total Maintenance Fee Revenue</b>					<b>32,105,789</b>

<b>Expenses</b>					
Accounting	13.72	14.11	0.39	2.8%	366,935
Activities	20.10	20.56	0.46	2.3%	534,871
Administration	41.12	42.69	1.57	3.8%	1,110,486
Audit Fee	0.59	0.60	0.01	1.7%	15,535
Bad Debt Expense	4.50	4.00	(0.50)	(11.1%)	104,040
Billing and Collections	9.67	9.86	0.19	2.0%	256,459
Board of Directors	1.20	1.20	0.00	0.0%	31,241
Cable Television	5.67	5.65	(0.02)	(0.4%)	146,997
Credit Card Fee	19.47	19.69	0.22	1.1%	512,184
Cypress Spa Net	0.52	0.53	0.01	1.9%	13,881
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	2.00	2.00	0.00	0.0%	52,020
Electricity	30.84	27.76	(3.08)	(10.0%)	721,972
Front Desk	32.73	39.39	6.66	20.3%	1,024,516
Gas	4.44	4.77	0.33	7.4%	124,057
High Speed Internet	3.85	3.85	0.00	0.0%	100,232
Housekeeping	194.91	204.46	9.55	4.9%	5,318,014
Human Resources	12.51	10.24	(2.27)	(18.1%)	266,366
Income Tax	0.73	4.02	3.29	450.7%	104,482
Insurance	29.68	29.08	(0.60)	(2.0%)	756,421
Landscape / Grounds	19.93	22.00	2.07	10.4%	572,247
Legal	2.00	0.50	(1.50)	(75.0%)	13,005
Loss Prevention / Security	28.68	27.23	(1.45)	(5.1%)	708,378
Maintenance	90.90	94.11	3.21	3.5%	2,447,860
Management Fee	106.27	110.51	4.24	4.0%	2,874,328
Operating Capital	0.00	0.00	0.00	0.0%	0
Other Expenses	0.00	0.00	0.00	0.0%	0
Owner Services <sup>3</sup>	38.78	41.11	2.33	6.0%	1,069,271
Pest Control	3.89	4.41	0.52	13.4%	114,825
Pool Maintenance	10.93	11.76	0.83	7.6%	305,907
Postage and Printing	2.65	2.65	0.00	0.0%	68,846
Refuse Collection	2.57	2.64	0.07	2.7%	68,650
Rent for Recreation	0.00	0.00	0.00	0.0%	0
Taxes upon Association Property	0.00	0.00	0.00	0.0%	0
Taxes Upon Leased Areas	0.00	0.00	0.00	0.0%	0
Telephone	6.43	5.94	(0.49)	(7.6%)	154,526
Water and Sewer	10.71	9.70	(1.01)	(9.4%)	252,344
Westwood Lakes Property Owners Association, Inc.	1.10	1.10	0.00	0.0%	28,560
<b>Operating Fee</b>	<b>753.09</b>	<b>778.12</b>	<b>25.03</b>	<b>3.3%</b>	<b>20,239,456</b>

Deficit Recovery/(Surplus Return)	(22.00)	(18.00)	4.00	18.2%	(468,180)
<b>Total Net Operating</b>	<b>707.72</b>	<b>741.35</b>	<b>33.63</b>	<b>4.8%</b>	<b>19,283,099</b>

Reserve Fee <sup>2</sup>	325.00	338.00	13.00	4.0%	8,791,380
<b>Operating And Reserve Fee</b>	<b>1,056.09</b>	<b>1,098.12</b>	<b>42.03</b>	<b>4.0%</b>	<b>28,562,656</b>

<b>Estimated Property Tax<sup>1</sup></b>					
SPECIAL (WEEKS 1 - 17,51 - 52)	163.26	163.26	0.00	0.0%	1,581,989
SPORT (WEEKS 18 - 23,34 - 50)	110.54	110.54	0.00	0.0%	1,240,259
SUMMER (WEEKS 24 - 33)	141.35	141.35	0.00	0.0%	720,885
<b>Total Maintenance Fee Plus Property Tax</b>					<b>32,105,789</b>

**CYPRESS HARBOUR CONDOMINIUM ASSOCIATION, INC.**  
**2017 Estimated Operating Budget Notes**  
**PHASES 1-20 & 22-25 (510 UNITS - 26,010 UNIT WEEKS)**  
**For The Period Beginning December 31, 2016 And Ending December 31, 2017**

Notes to the 2017 Estimated Operating Budget

1) Florida law requires the Managing Entity hired by the Association to collect ad valorem taxes assessed by the Orange County Property Appraiser's Office. The exact amount of the taxes levied on each separate timeshare estate may vary depending on the value of the timeshare estate and will not be known for certain until November of the year of the assessment. The Tax Collector's Office only accepts "full payment" and offers a significant discount for early payment. In order to have the necessary funds on hand to make payment as soon as possible once the tax bill is received, and in order to receive a discount for early payment, the Managing Entity will bill owners for their proportionate share of the taxes in January. Accordingly, the amount collected each year will be an estimate of the amount of ad valorem taxes that will be levied against individual timeshare estates. When the final bill is available, the amount collected for each timeshare estate will be adjusted accordingly, and overpayments, if any, may reduce the subsequent year's assessment, subject to other budgetary factors.

Estimated 2017 Ad Valorem Taxes	AVERAGE
SPECIAL (WEEKS 1 - 17,51 - 52)	\$163.26
SPORT (WEEKS 18 - 23,34 - 50)	\$110.54
SUMMER (WEEKS 24 - 33)	\$141.35

2) Florida Law requires the Association to maintain reserves for deferred maintenance and capital expenditures, based on the estimated useful life and replacement cost of each reserve item. The Association accumulates funds for repairs and replacements over the remaining useful lives of the components based on estimates of current replacement costs. Actual expenditures may vary from the estimated replacement costs. If additional funds are needed, the Association has the right, subject to Board approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The reserves are made up of the following components:

- \* Roof Replacement – includes both unit roof replacement and all common areas.
- \* 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 – includes site lighting, irrigation systems, and common area maintenance.

Components	Estimated Useful Life In Yrs	Estimated Replacement Cost	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of December 31, 2016	Contribution For 2017
<b>Roof Replacement</b>	<b>30</b>	<b>\$15,389,542</b>	<b>20</b>	<b>\$1,515,605</b>	<b>\$337,561</b>
<b>Furniture and Fixtures</b>	<b>25</b>	<b>\$62,860,179</b>	<b>5</b>	<b>\$6,035,894</b>	<b>\$5,530,269</b>
<b>Building Painting</b>	<b>10</b>	<b>\$2,654,422</b>	<b>3</b>	<b>\$730,778</b>	<b>\$312,022</b>
<b>External Building Maintenance</b>	<b>25</b>	<b>\$24,127,553</b>	<b>12</b>	<b>\$192,672</b>	<b>\$970,582</b>
<b>Pavement Resurfacing</b>	<b>15</b>	<b>\$614,920</b>	<b>3</b>	<b>\$85,905</b>	<b>\$85,808</b>
<b>Common Area Rehabilitation</b>	<b>30</b>	<b>\$13,130,406</b>	<b>9</b>	<b>(\$548,591)</b>	<b>\$1,555,137</b>
<b>TOTAL</b>		<b>\$118,777,022</b>		<b>\$8,012,263</b>	<b>\$8,791,380</b>

As permitted by Florida Statute 721, reserve funds may be reallocated between the reserve components by the Board at a duly called meeting. Florida law does not require 100% funding of all estimated future replacement costs. However, prudent management calls for funding at least a portion of these costs. Any waiver or reduction of the reserves below the levels calculated as set forth above requires a majority vote of Owners present, in person or by proxy, at a duly called meeting of the Association.

On October, 21, 2016, at a duly called meeting of Cypress Harbour Condominium Association, Inc., a majority of the nondeveloper voting interests voting in person or by limited proxy voted to approve the reduction of reserves for capital expenditures and deferred maintenance.

3) 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.

Notes from 2015 Audit: Certain services, including off-site accounting and administration, and reservations, are provided by MRHC and allocated to the Association based on the number of unit weeks, as a percentage of total unit weeks the respective service covers. Marriott Vacations Worldwide Corporation ("MVWC"), the parent company of MRHC, pays all invoices on behalf of the Association, subject to reimbursement by the Association. The net amount due from (to) MVWC at December 31, 2015 and 2014 was \$237,330 and (\$1,612,180), respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of maintenance fees receivable due from MRHC at December 31, 2015 and 2014 was \$1,151,259 and \$1,710,481, respectively.

The Board of Directors of the Association has approved a change in the Association's fiscal year to a calendar year commencing January 1, 2017. This budget for fiscal year 2017 reflects the 2017 calendar year, plus one additional day at the end of December 2016 due to the transition from the 2016 periodic fiscal year to the 2017 calendar-based fiscal year.

## Frequently Asked Maintenance Fee Questions

**Q. What are maintenance fees and who determines them?**

A. Maintenance fees are those funds collected by your Association to cover the cost of operating the resort, future maintenance and refurbishment. Maintenance fees are approved by your Association's Board of Directors and includes:

**Operating Fees:** These funds cover the cost of all resort expenses incurred on an annual basis, e.g. electricity, phone, maintenance and housekeeping.

**Reserve Fee:** This is planned funding of capital replacement expenditures for replacement of large items, e.g. refrigerators, roof repairs and villa furnishings.

**Property Tax:** These taxes are assessed by the county in which the resort is located and billed to each owner through the maintenance fee.

**Q. When are maintenance fees due?**

A. Please refer to your maintenance fee invoice for your exact due date. Please remember to remit payments on time. Interest and late charges will be assessed on late, unpaid balances according to your Association's guidelines.

**Q. What are my maintenance fee payment options?**

**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 Marriott Resorts Hospitality Corporation (with or without your maintenance fee coupon) to:

Marriott Resorts Hospitality Corporation  
P.O. Box 382056  
Pittsburgh, PA 15250-8056  
(Please include your owner number on your check)

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

\* 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