

Dear Marriott's Grande Ocean Owner:

Your 2016 Maintenance Fee statement is enclosed. This note is intended to provide you with some background on the 2016 Operating Budget and your maintenance fee. Bottom line, the 2016 Maintenance Fee includes an increase of \$49.27 per unit week. Your Grande Ocean Board of Directors and the Marriott Management Team have worked together to control costs, while also maintaining your asset to provide the special vacation experience that you have come to expect. Your annual maintenance fee is divided into two major categories - the Operating Fee, and the Reserve Fee.

### **Operating Fee**

The 2016 Net Operating Fee is budgeted to increase by \$37.09 or 3.8% per unit week. Our major challenge this year has been a salary increase for hourly employees. We are having significant problems recruiting associates to the island given the continued development, and related employment opportunities, off the island. Marriott Vacation Club has conducted a salary comparison study in the area for comparable jobs, and we feel there is a need to increase hourly wages. It is a modest increase, but the amount multiplies when considering the number of associates across each department including Housekeeping, Engineering and Loss Prevention.

We continue to probe controllable expenses for savings opportunities. This year for example, we are benefiting from lower gas rates by locking in on the lower rates prior to the 2016 increase. Electricity usage has also been improved by the sensors that turn off heating and air conditioning units when doors are open for more than five minutes; and also through installation of replacement air conditioning units with improved Seasonal Energy Efficiency Ratio ratings. We are also negotiating a contract with Verizon Wireless to install a cell tower on one of our roofs – providing both an improved signal for owners and some modest rental income. On the flip side of operating cost, and based on feedback from our owners, we have improved our Wi-Fi experience, and continue to expand our Activities program. We are doing our best to maintain the delicate balance of cutting costs while continually improving your vacation experience.

### **Reserve Fee**

The 2016 Reserve Fee will increase by \$12.18 or 4.1%. This fee allows us to set aside funds for maintenance items (e.g. boilers, air conditioning units), yearly projects (e.g. new dune crossovers and dune decking by Pool Bar Jim's), as well as major refurbishments. We have completed a major villa renovation in 2014 on the North Side of the property including the Dolphin, Pelican, Sand Piper, Royal Tern and Seahorse Buildings on time and under budget. As you read this, we are implementing this same refurbishment on the remainder of the resort, which is expected to be completed by the end of March 2016. A key point is that these refurbishments are being made with no special assessment to owners. Rather they are paid for out of the Reserve Fund. Our goal is to manage your Reserve dollars through a comprehensive 20-year plan so that the resort will continue to be a great place to vacation both now and in the future. Our current cash flow scenarios indicate a positive cash flow with no planned special assessments despite the maintenance, major refurbishments, and other continual improvements. Also of note, after a long and persistent appeal process by the Board of Directors, Grande Ocean has won a tax re-assessment appeal with Beaufort County. The result is a refund of roughly \$350,000.00 in taxes already paid. This money has been added to our Reserve Fund to support future Grande Ocean projects.

### **Summary**

The 2016 Budget results in a maintenance fee increase of \$49.27 or 3.9%. Thank you for your investment in Grande Ocean! We want you to know that we are working hard to control costs, but also have not elected to cut services that would negatively affect your vacation experience. Our resort is now over 20 years old. Yet rather than declining, you tell us that you are proud to see Grande Ocean continually improving. We are blessed with a high occupancy rate of returning Grande Ocean owners and your suggestions drive our planning. Thanks for your help in making Grande Ocean special. We look forward to seeing you in 2016!

Sincerely,

*Massimo Santangelo*  
General Manager  
Marriott's Grande Ocean

*Mike Whelan*  
President, Board of Directors  
Grande Ocean Resort Owners' Association, Inc.

Dear Marriott's Grande Ocean Owner,

Thank you for continued prompt payment of your annual maintenance fee. It allows the Association to manage cash flow in order to provide the best vacation experience possible for all Owners at all times during the year.

Your 2016 Maintenance Fee is due in January. As always, you have the option of paying by check, electronic bank transfer, or by credit card. **However, we would like to request that you pay by check or by electronic bank transfer via the Internet.** This would save our Association approximately \$30.00 per unit week in credit card fees, and would allow us to continue to improve our resort.

Thank you in advance for your continued support and consideration of this matter.

Sincerely,

*Board of Directors*

Grande Ocean Resort Owners' Association, Inc.

**GRANDE OCEAN RESORT OWNERS' ASSOCIATION, INC.**

2016 Estimated Operating Budget

For The Period Beginning January 02, 2016 And Ending December 30, 2016

	2015 BUDGETED EXPENSES 14,790 UNIT WEEKS (PER UNIT WEEK)	2016 APPROVED BUDGET 14,790 UNIT WEEKS (PER UNIT WEEK)	PER EVERY OTHER YEAR TIME- SHARING INTEREST	2015 BUDGET VS 2016 BUDGET INCREASE/(DECREASE)		2016 APPROVED BUDGET TOTAL
			\$	\$	%	\$

<b>Revenue</b>						
Maintenance Fee	1,271.53	1,320.80	660.40	49.27	3.9%	19,534,677
Antenna Income	0.00	1.25	0.63	1.25	100.0%	18,456
Bank/Investment Interest	0.70	0.51	0.26	(0.19)	(27.1%)	7,500
Late Fees	5.10	5.73	2.87	0.63	12.4%	84,766
Maintenance Fee Interest Income	7.78	6.69	3.35	(1.09)	(14.0%)	99,000
Miscellaneous Income	1.41	0.00	0.00	(1.41)	(100.0%)	0
<b>Total Maintenance Fee Revenue</b>	<b>1,286.52</b>	<b>1,334.98</b>	<b>667.49</b>	<b>48.46</b>	<b>3.8%</b>	<b>19,744,399</b>

<b>Expenses</b>						
Accounting	18.63	20.04	10.02	1.41	7.6%	296,392
Activities	19.47	26.19	13.10	6.72	34.5%	387,350
Administration	53.11	54.45	27.23	1.34	2.5%	805,316
Audit Fee	0.98	0.97	0.49	(0.01)	(1.0%)	14,346
Bad Debt Expense	5.21	5.21	2.61	0.00	0.0%	77,056
Billing and Collections	9.18	9.36	4.68	0.18	2.0%	138,434
Board of Directors	1.24	1.35	0.68	0.11	8.9%	19,967
Cable Television	6.62	6.60	3.30	(0.02)	(0.3%)	97,614
Community Services Association, Inc. Easement Agreement	19.90	19.96	9.98	0.06	0.3%	295,208
Credit Card Fee	19.63	20.22	10.11	0.59	3.0%	299,054
Electricity	55.40	55.31	27.66	(0.09)	(0.2%)	818,035
Fee - Tennis	8.62	5.97	2.99	(2.65)	(30.7%)	88,296
Fees - South Forest Beach Assoc.	0.94	0.94	0.47	0.00	0.0%	13,903
Front Desk	47.05	51.48	25.74	4.43	9.4%	761,389
Gas	12.97	8.20	4.10	(4.77)	(36.8%)	121,278
High Speed Internet	10.28	11.09	5.55	0.81	7.9%	164,021
Housekeeping	181.98	193.57	96.79	11.59	6.4%	2,862,900
Human Resources	9.99	11.18	5.59	1.19	11.9%	165,352
Income Tax	0.78	0.69	0.35	(0.09)	(11.5%)	10,205
Insurance	44.33	42.62	21.31	(1.71)	(3.9%)	630,412
Landscape / Grounds	12.46	12.73	6.37	0.27	2.2%	188,277
Loss Prevention / Security	27.88	28.28	14.14	0.40	1.4%	418,261
Maintenance	112.42	120.12	60.06	7.70	6.8%	1,776,575
Management Fee	115.59	120.07	60.04	4.48	3.9%	1,775,863
Miscellaneous	0.00	0.80	0.40	0.80	100.0%	11,787
Owner Services *	33.43	38.78	19.39	5.35	16.0%	573,556
Pest Control	2.08	2.04	1.02	(0.04)	(1.9%)	30,172
Pool Maintenance	10.02	10.32	5.16	0.30	3.0%	152,633
Postage and Printing	1.66	1.47	0.74	(0.19)	(11.4%)	21,741
Property Taxes	127.39	123.50	61.75	(3.89)	(3.1%)	1,826,565
Refuse Collection	1.72	3.09	1.55	1.37	79.7%	45,701
Telephone	6.65	7.28	3.64	0.63	9.5%	107,671
Water and Sewer	11.81	11.82	5.91	0.01	0.1%	174,818
<b>Operating Fee</b>	<b>989.42</b>	<b>1,025.70</b>	<b>512.85</b>	<b>36.28</b>	<b>3.7%</b>	<b>15,170,148</b>

<b>Total Net Operating</b>	<b>974.43</b>	<b>1,011.52</b>	<b>505.76</b>	<b>37.09</b>	<b>3.8%</b>	<b>14,960,426</b>
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Reserve Fee	297.10	309.28	154.64	12.18	4.1%	4,574,251
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<b>Total Maintenance Fee</b>	<b>1,271.53</b>	<b>1,320.80</b>	<b>660.40</b>	<b>49.27</b>	<b>3.9%</b>	<b>19,534,677</b>
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\* 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.

Capitalized terms not defined in this budget have the meaning given to them in the Master Deed Establishing Horizontal Property Regime.

Every-Other-Year Usage Interest for an Even Year or Odd Year, maintenance fees, taxes and other assessments attributable to the interest (which shall constitute one-half of such amounts attributable to similar "annual" Time Sharing Interests) shall be due and payable to the Association on an annual basis.

## 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?**

A. **Option 1:** You may pay 24 hours a day, 7 days per week at [www.My-VacationClub.com](http://www.My-VacationClub.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 . This option is available Monday – Friday from 9:00 a.m. – 9:00 p.m. and Saturday & Sunday from 9:00 a.m. – 5:00 p.m. ET.

\* 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