

HAO CONDOMINIUM ASSOCIATION, INC.

2016 Estimated Operating Budget

PHASES 1,2,3 & 4 (312 TIMESHARE UNITS - 16,068 UNIT WEEKS)

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

	2015 BUDGETED EXPENSES 16,068 UNIT WEEKS (PER UNIT WEEK)	2016 APPROVED BUDGET 16,068 UNIT WEEKS (PER UNIT WEEK)	2015 BUDGET VS 2016 BUDGET INCREASE/(DECREASE)		2016 APPROVED BUDGET TOTAL \$
			\$	%	

Revenue					
GOLD (WEEKS 18 - 21,35 - 50)	1,163.45	1,253.01	89.56	7.7%	7,623,227
PLATINUM (WEEKS 1 - 17,22 - 34,51)	1,197.79	1,281.75	83.96	7.0%	12,396,950
PLATINUM PLUS (WEEKS 52)	1,197.79	1,281.75	83.96	7.0%	399,902
Bank/Investment Interest	0.20	0.65	0.45	226.0%	10,486
Late Fees	8.43	8.17	(0.26)	(3.1%)	131,236
Maintenance Fee Interest Income	18.67	20.22	1.55	8.3%	324,850
Total Maintenance Fee Revenue					20,886,651

Expenses					
Accounting	15.89	15.40	(0.49)	(3.1%)	247,472
Activities	38.73	40.75	2.02	5.2%	654,850
Administration	32.10	36.50	4.40	13.7%	586,532
Audit Fee	0.89	0.90	0.01	1.1%	14,450
Bad Debt Expense	37.84	34.59	(3.25)	(8.6%)	555,779
Billing and Collections	10.05	10.25	0.20	2.0%	164,710
Board of Directors	0.65	0.60	(0.05)	(7.7%)	9,561
Cable Television	4.63	4.69	0.06	1.3%	75,312
Credit Card Fee	16.26	16.04	(0.22)	(1.4%)	257,676
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	2.00	2.00	0.00	0.0%	32,136
Electricity	40.67	39.23	(1.44)	(3.5%)	630,395
Fees - Golf	8.75	8.75	0.00	0.0%	140,595
Front Desk	63.69	67.91	4.22	6.6%	1,091,115
Gas	4.74	5.51	0.77	16.3%	88,541
High Speed Internet	4.85	4.17	(0.68)	(14.0%)	67,044
Housekeeping	174.12	182.02	7.90	4.5%	2,924,707
Human Resources	13.56	15.31	1.75	12.9%	245,940
Income Tax	0.43	0.85	0.42	97.3%	13,650
Insurance	29.09	28.80	(0.29)	(1.0%)	462,750
Landscape / Grounds	13.47	16.16	2.69	20.0%	259,618
Loss Prevention / Security	30.93	33.71	2.78	9.0%	541,625
Maintenance	71.70	75.32	3.62	5.0%	1,210,178
Management Fee	107.71	115.53	7.82	7.3%	1,856,371
Operating Capital	0.00	0.00	0.00	0.0%	0
Other Expenses	0.00	0.00	0.00	0.0%	0
Owner Services ⁴	33.43	38.78	5.35	16.0%	623,117
Pest Control	1.93	1.89	(0.04)	(2.1%)	30,416
Pool Maintenance	17.03	18.27	1.24	7.3%	293,507
Postage and Printing	3.07	3.11	0.04	1.3%	49,992
Refuse Collection	1.95	2.08	0.13	6.7%	33,360
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	4.50	4.50	0.00	0.0%	72,306
Water and Sewer	10.43	9.93	(0.50)	(4.8%)	159,508
Operating Fee	795.10	833.55	38.45	4.8%	13,393,213

Total Net Operating	767.79	804.51	36.72	4.8%	12,926,641
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Reserve Fee ³	272.25	300.00	27.75	10.2%	4,820,400
Operating And Reserve Fee	1,067.35	1,133.55	66.20	6.2%	18,213,613

Estimated Property Tax¹					
GOLD (WEEKS 18 - 21,35 - 50)	123.41	148.50	25.09	20.3%	903,474
PLATINUM (WEEKS 1 - 17,22 - 34,51)	157.75	177.24	19.49	12.4%	1,714,265
PLATINUM PLUS (WEEKS 52)	157.75	177.24	19.49	12.4%	55,299
Total Maintenance Fee Plus Property Tax					20,886,651

International Owners Surcharge ²	34.50	34.50	0.00	0.0%	-----
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HAO CONDOMINIUM ASSOCIATION, INC.
2016 Estimated Operating Budget Notes
PHASES 1,2,3 & 4 (312 TIMESHARE UNITS - 16,068 UNIT WEEKS)
For The Period Beginning January 02, 2016 And Ending December 30, 2016

Notes to the 2016 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. So as to meet the statutory requirement that the Tax Collector's Office only accept "full payment", and so as to have the necessary funds on hand to make payment as soon as possible once the tax bill is received by the Managing Entity 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 2016 Ad Valorem Taxes	AVERAGE
GOLD (WEEKS 18 - 21,35 - 50)	\$148.50
PLATINUM (WEEKS 1 - 17,22 - 34,51)	\$177.24
PLATINUM PLUS (WEEKS 52)	\$177.24

2) International Owners of Timeshare Estates, in addition to other charges assessed pursuant to the Declaration, shall be charged an annual fee (the "International Owner's Surcharge"), which relates to the added costs for postage, personal delivery, increased frequency of and costs associated with long distance telephone calls, translation costs, additional costs for telefacsimile communications and labor costs for additional special support staff. Currently, the International Owner's Surcharge is \$34.50. The International Owner'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 one hundred and fifteen percent (115%) of the International Owner's Surcharge in the immediately preceding year, unless approved by the majority of all Owners.

3) 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 is accumulating 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.

The itemized estimate of the remaining life and estimated replacement of the major components are listed below:

- * 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 of HAO units.

Components	Estimated Useful Life In Yrs	Estimated Replacement Cost	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of January 02, 2016	Contribution For 2016
Roof Replacement	24	\$3,310,711	14	\$83,158	\$181,042
Furniture and Fixtures	11	\$29,310,557	7	\$1,472,446	\$3,123,035
Building Painting	5	\$1,031,301	3	\$120,886	\$238,316
External Building Maintenance	14	\$6,334,580	6	\$371,261	\$780,498
Pavement Resurfacing	12	\$898,676	6	\$52,670	\$110,728
Common Area Rehabilitation	12	\$3,139,139	6	\$183,981	\$386,780
TOTAL		\$44,024,964		\$2,284,402	\$4,820,400

As permitted by Florida Statute 721, reserve funds may be reallocated between the reserve components by the Board at a duly called meeting.

At a duly called meeting of the HAO Condominium Association, Inc., a majority of the nondeveloper voting interests in person or by limited proxy voted to approve the reduction of reserves for capital expenditures and deferred maintenance.

4) 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 2014 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 indirect parent company of MRHC, pays all invoices on behalf of the Association, subject to reimbursement by the Association. The net amount due to the Association from MVWC at January 2, 2015 and January 3, 2014 was \$37,706 and \$111,746, respectively.

Capitalized terms not defined in these footnotes have the meaning given to them in the Public Offering Statement text and Declaration of Condominium for HAO Condominium.

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 include:

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.

International Owner Service Fee: This fee relates to the costs for postage, personal delivery, long-distance telephone calls, telefacsimile communications and translation costs for international Owners.

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.

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 customer 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