

MARRIOTT'S KAUAI BEACH CLUB OWNERS ASSOCIATION ("VOA")

2016 Estimated Assessment Budget

12,000 OWNERSHIP SHARES IN 232 UNITS

FOR THE PERIOD BEGINNING JANUARY 1, 2016 AND ENDING DECEMBER 31, 2016

| | 2016 APPROVED BUDGET TOTAL | 2016 BUDGET BY VILLA TYPE | |
|--|----------------------------------|-----------------------------------|-----------------------------------|
| | | 1 BEDROOM | 2 BEDROOM |
| | | 9,828 (PER OWNERSHIP SHARE) | 2,172 (PER OWNERSHIP SHARE) |
| | \$ | | |

| REVENUE | | | |
|------------------------------------------------------------------------------------------------|-------------------|-----------------|-----------------|
| Maintenance Fees | 19,518,199 | 1,597.60 | 1,757.36 |
| Late Fees & Finance Charges | 184,480 | 15.10 | 16.61 |
| TOTAL VOA REVENUE | 19,702,679 | 1,612.70 | 1,773.97 |
| Association Of Apartment Owners Of Marriott's Kauai Resort and Beach Club ("AOAO") Assessment* | (7,667,515) | (627.60) | (690.36) |
| TOTAL Maintenance Fee Revenue | 12,035,164 | 985.10 | 1,083.61 |

| EXPENSES | | | |
|-----------------------------|-------------------|---------------|---------------|
| Accounting | 243,122 | 19.90 | 21.89 |
| Administration | 735,475 | 60.20 | 66.22 |
| Annual Audit | 14,661 | 1.20 | 1.32 |
| Bad Debt | 51,312 | 4.20 | 4.62 |
| Billing & Collections | 112,398 | 9.20 | 10.12 |
| Board of Directors | 47,647 | 3.90 | 4.29 |
| Cable Television | 102,624 | 8.40 | 9.24 |
| Contingency | - | - | - |
| Credit Card Fees | 175,928 | 14.40 | 15.84 |
| Front Desk | 1,514,933 | 124.00 | 136.40 |
| General Excise Tax | 508,236 | 41.60 | 45.76 |
| Housekeeping | 2,654,798 | 217.30 | 239.03 |
| Income Tax | 19,548 | 1.60 | 1.76 |
| Insurance | 13,439 | 1.10 | 1.21 |
| Legal | 3,665 | 0.30 | 0.33 |
| Loss Prevention | 84,299 | 6.90 | 7.59 |
| Maintenance | 1,155,747 | 94.60 | 104.06 |
| Management Fees | 866,199 | 70.90 | 77.99 |
| Owner Services ² | 465,475 | 38.10 | 41.91 |
| Property Taxes | 1,806,924 | 147.90 | 162.69 |
| Operating Fee | 10,576,430 | 865.70 | 952.27 |

| | | | |
|-----------------------------------|------------------|---------------|---------------|
| Deficit Recovery/(Surplus Return) | (679,276) | (55.60) | (61.16) |
| Total Net Operating | 9,897,154 | 810.10 | 891.11 |

| | | | |
|------------------------------------|-------------------|---------------|-----------------|
| Reserve Fee ¹ | 2,138,010 | 175.00 | 192.50 |
| Operating & Reserve Fee | 12,035,164 | 985.10 | 1,083.61 |

| | | | |
|-----------------------------------------------------------------------------------------------|-------------------|-----------------|-----------------|
| Association Of Apartment Owners Of Marriott's Kauai Resort and Beach Club ("AOAO") Assessment | 7,667,515 | 627.60 | 690.36 |
| Total Expenses | 19,702,679 | 1,612.70 | 1,773.97 |

| | | | |
|------------------------------|-------------------|-----------------|-----------------|
| Total Maintenance Fee | 19,518,199 | 1,597.60 | 1,757.36 |
|------------------------------|-------------------|-----------------|-----------------|

Capitalized terms not defined in this budget have the meaning given to them in the Marriott's Kauai Beach Club Vacation Ownership Program Declaration of Covenants, Conditions and Restrictions ("the Vacation Ownership Program Declaration").

* These are assessments the Association is collecting on behalf of, as and accommodation to, the AOAO.

Owners of Every Other Year Ownership Shares shall pay 50% of the Total Maintenance Fees payable by Owners of Every Year Ownership Shares, which shall be \$798.80 for a One Bedroom Ownership Share and \$878.68 for a Two Bedroom Ownership Share.

ASSOCIATION OF APARTMENT OWNERS OF MARRIOTT'S KAUAI RESORT AND BEACH CLUB

2016 Estimated Assessment Budget

FOR THE PERIOD BEGINNING JANUARY 1, 2016 AND ENDING DECEMBER 31, 2016

| | 2016 Approved Budget Total | Timeshare Apartments | Hotel Room Apartments | MKORI Commercial Apartments | MORI Commercial Apartments |
|--|----------------------------------|-------------------------|--------------------------|-----------------------------------|----------------------------------|
| | \$ | Annual Total | Annual Total | Annual Total | Annual Total |

| Revenue | | | | | |
|--------------------------------------|-------------------|------------------|-------------------|---------------|----------------|
| Maintenance Fees | 18,211,026 | 7,667,515 | 10,260,287 | 36,780 | 246,444 |
| Miscellaneous Income | 18,836 | 8,821 | 9,601 | 63 | 351 |
| Total Maintenance Fee Revenue | 18,229,862 | 7,676,336 | 10,269,888 | 36,843 | 246,795 |

| Expenses | | | | | |
|-----------------------------------------------------|-------------------|------------------|------------------|---------------|----------------|
| Accounting - Common Element | 57,868 | 27,100 | 29,495 | 194 | 1,079 |
| Business Licenses & Fees - Common Element | 14,000 | 6,556 | 7,136 | 47 | 261 |
| Bad Debt | 25,000 | 25,000 | - | - | - |
| Contingency | - | - | - | - | - |
| Credit Card Fees | 142,277 | 142,277 | - | - | - |
| Electricity - Limited Common Element | 3,167,057 | 880,797 | 2,194,247 | 14,023 | 77,990 |
| Electricity - Common Element | 469,451 | 219,844 | 239,279 | 1,574 | 8,754 |
| Electricity - Rice Parcel ² | 132,893 | 46,223 | 86,072 | 91 | 507 |
| Equipment Leases & Misc - Common Element | 106,739 | 49,986 | 54,405 | 358 | 1,990 |
| Gas/ Diesel - Limited Common Element | 473,897 | - | 473,897 | - | - |
| Gas/ Diesel - Common Element | 83,309 | 39,141 | 42,329 | 280 | 1,559 |
| General & Administration - Limited Common Element | 807,730 | 243,583 | 553,077 | 1,687 | 9,383 |
| General & Administration - Common Element | 16,537 | 7,745 | 8,429 | 55 | 308 |
| General & Administration - Rice Parcel ² | 2,650 | 894 | 1,744 | 2 | 10 |
| Housekeeping - Limited Common Element | 1,236,188 | 17,617 | 1,218,571 | - | - |
| Insurance - Common Element | 1,391,988 | 651,868 | 709,496 | 4,667 | 25,957 |
| Legal - Common Element | 6,000 | 2,810 | 3,058 | 20 | 112 |
| Management Fees | 1,111,470 | 334,887 | 759,297 | 2,245 | 15,041 |
| Maintenance - Limited Common Element | 3,170,544 | 955,328 | 2,171,800 | 6,617 | 36,799 |
| Maintenance - Common Element | 65,161 | 30,515 | 33,213 | 218 | 1,215 |
| Maintenance - Rice Parcel ² | 22,385 | 8,598 | 13,676 | 17 | 94 |
| Permits, Airport Road - Common Element | 45,300 | 21,214 | 23,089 | 152 | 845 |
| Recreation - Limited Common Element | 887,550 | - | 887,550 | - | - |
| Rice Parcel Land Lease ² | 280,472 | 97,548 | 181,662 | 192 | 1,070 |
| Water & Sewer - Limited Common Element | 2,260,739 | 681,910 | 1,547,839 | 4,723 | 26,267 |
| Water & Sewer - Common Element | 251,420 | 117,740 | 128,149 | 843 | 4,688 |
| Water & Sewer - Rice Parcel ² | 2,036 | 458 | 1,572 | 1 | 5 |
| Irrevocable Facilities License Agreement | - | 2,180,514 | (2,180,514) | - | - |
| Operating Fee | 16,230,661 | 6,790,153 | 9,188,568 | 38,006 | 213,934 |

| | | | | | |
|-----------------------------------|-------------------|------------------|------------------|---------------|----------------|
| Deficit Recovery/(Surplus Return) | (1,100,000) | (515,130) | (560,670) | (3,688) | (20,512) |
| Net Operating Fee | 15,130,661 | 6,275,023 | 8,627,898 | 34,318 | 193,422 |

| | | | | | |
|----------------------------------------------------|-------------------|------------------|-------------------|---------------|----------------|
| Reserve Fees - Limited Common Element ¹ | 2,534,800 | 1,137,004 | 1,354,315 | 633 | 42,848 |
| Reserve Fees - Common Element ¹ | 564,401 | 264,309 | 287,675 | 1,892 | 10,525 |
| Operating and Reserve Fee | 18,229,862 | 7,676,336 | 10,269,888 | 36,843 | 246,795 |

Capitalized terms not defined in this budget have the meaning given to them in the Declaration of Condominium Property Regime of Marriott's Kauai Resort & Beach Club.

ASSOCIATION OF APARTMENT OWNERS OF MARRIOTT'S KAUAI RESORT & BEACH CLUB

2016 Estimated Operating Budget

FOR THE PERIOD BEGINNING JANUARY 1, 2016 AND ENDING DECEMBER 31, 2016

This budget has been prepared on an accrual basis and is allocated among Apartment Owners based on fair and equitable methodology adopted by the Managing Agent and approved by the Board. Because expenses associated with Limited Common Elements ("LCE's") are assessed against only the Apartments to which the LCE's are appurtenant, each Apartment's assessment cannot be computed simply by multiplying its percentage Common Interest by the total annual budget. Rather, the total operating and reserve fees shown in the second through fifth columns have been derived from allocation formulas for each line item. The Total Maintenance Fees billed from the second column are assessed to Owners of vacation ownership interests in Timeshare Apartments. The Total Maintenance Fees billed from the fourth and fifth columns are payable by the owners of the Commercial Apartments noted in such columns. The Total Maintenance Fees billed from the third column are payable by the owner of the Hotel Room Apartments.

Certain Apartments located within the condominium project are designated as Commercial Apartments. The Association allocates common expenses to the owners of the Commercial Apartments based on the common interest appurtenant to each Commercial Apartment. The column of the Assessment Budget labeled "MKORI Commercial Apartments" includes the costs allocated to Commercial Apartments known as "Executive A" and "Executive B" and the column of the Assessment Budget labeled "MORI Commercial Apartment" includes the costs allocated to the Commercial Apartment known as the "Penthouse Commercial Apartment."

1) Planned replacement reserves are the moneys that the association's Board of Directors has identified to be used to defray the future repair or replacement of, or additions to, those major components, which the Association is obligated to maintain.

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

| Components | Estimated Useful Life in Yrs. | Estimated Replacement Cost | Estimated Remaining Useful Life in Yrs. | Anticipated Beginning Fund Balance as of 1/1/2016 | % of Fund Balance over Replacement Cost | Age in Years as of 1/1/2016 |
|-----------------------------------|-------------------------------|----------------------------|-----------------------------------------|---------------------------------------------------|-----------------------------------------|-----------------------------|
| Components | | | | | | |
| Building Painting | 27 | 3,478,548 | 3 | 1,337,953 | 38.46% | 24 |
| Pavement Resurfacing | 20 | 2,545,430 | 12 | 2,213,029 | 86.94% | 8 |
| Common Area Rehab | 8 | 10,386,077 | 6 | 5,622,355 | 54.13% | 2 |
| Furniture, Fixtures and Equipment | 19 | 30,537,853 | 8 | 2,265,493 | 7.42% | 11 |
| Roof | 16 | 4,042,268 | 12 | -2,131,490 | -52.73% | 4 |
| TOTAL | | \$50,990,176 | | \$9,307,340 | 18.25% | |

The cash flow method is being used, which is based on a minimum twenty-year projection of the Association's future income and expenses to fully fund its replacement reserve requirements each year during that twenty-year period. The cash flow method requires the Association to assess and collect from its owners to fully fund 100% of the estimated replacement reserves, in order to establish a full replacement reserve for the Association by the end of each fiscal year.

The remaining life of a component can be estimated by subtracting the current age of the component from the useful life of such component. Each year, the Association board may adjust the amount of the estimated replacement reserve for an asset based on reasonable projections for inflation and for interest which will be earned during the estimated useful life of the asset.

2) The Rice Parcel Sublease was assigned to HPTMI Hawaii, Inc. on June 15, 2001 and was accepted by WM Hyde Rice, Ltd at that time. The main lease was held in the name of MORI Golf (Kauai) LLC according to the Third Amendment and was assigned to 2014 Kauai Lagoons Golf, LLC on 12/31/2014. The Rice Parcel Sublease allows the Association to utilize the associate and guest parking lots. The lease expires on March 30, 2060.

MARRIOTT'S KAUAI BEACH CLUB OWNERS ASSOCIATION
2016 Estimated Operating Budget
12,000 OWNERSHIP SHARES IN 232 UNITS
FOR THE PERIOD BEGINNING JANUARY 1, 2016 AND ENDING DECEMBER 31, 2016

This budget has been prepared on an accrual basis.

The budget has been prepared based on 12,000 Ownership Interests. 12,064 Ownership Interests exist in the 232 Units submitted for registration in the Program, however, the Developer has conveyed 64 Ownership Interests to the Association for use as Major Service Periods each year.

1) Planned replacement reserves are the moneys that the association's Board of Directors has identified to be used to defray the future repair or replacement of, or additions to, those major components, which the Association is obligated to maintain.

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

| Components | Estimated Useful Life in Yrs. | Estimated Replacement Cost | Estimated Remaining Useful Life in Yrs. | Anticipated Beginning Fund Balance as of 1/1/2016 | % of Fund Balance over Replacement Cost | Age in Years as of 1/1/2016 |
|-------------------------------------------|-------------------------------------|----------------------------------|--------------------------------------------------|------------------------------------------------------------|--------------------------------------------------|-----------------------------------|
| Furniture, Fixtures, and Equipment | 17 | 23,588,231 | 9 | 4,237,023 | 17.96% | 8 |
| TOTAL | | \$23,588,231 | | \$4,237,023 | 17.96% | |

The cash flow method is being used, which is based on a minimum twenty-year projection of the Association's future income and expenses to fully fund its replacement reserve requirements each year during that twenty-year period. The cash flow method requires the Association to assess and collect from its owners to fully fund 100% of the estimated replacement reserves, in order to establish a full replacement reserve for the Association by the end of each fiscal year.

The remaining life of a component can be estimated by subtracting the current age of the component from the useful life of such component. Each year, the Association board may adjust the amount of the estimated replacement reserve for an asset based on reasonable projections for inflation and for interest which will be earned during the estimated useful life of the asset.

2) 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.

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.

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