

MVC TRUST OWNERS ASSOCIATION, INC.
Estimated Association Common Expense Budget
For the Period Beginning December 31, 2016 and Ending December 31, 2017 ⁽¹⁾

<u>Revenues</u>	<u>Annual Total</u>	<u>Per Beneficial Interest</u>
Assessments to Beneficiaries (excluding Exchange Company Dues) ⁽²⁾	\$182,741,227	\$131.800
Assessments to Beneficiaries (Exchange Company Dues) ⁽³⁾	21,488,039	15.498
Investment / Interest Income	2,040,934	1.472
Total Revenue	206,270,200	\$148.770
 <u>Component Expenses</u> ⁽⁴⁾	 169,118,471	 121.975
 <u>Trust Association Administration</u>		
Administration	1,001,055	0.722
Audit Cost	16,638	0.012
Bad Debt	3,388,616	2.444
Billing and Collection Costs	1,071,768	0.773
Board of Directors Cost	18,025	0.013
Component Services ⁽⁵⁾	1,357,387	0.979
Credit Card Fees	2,673,180	1.928
Division of Land Sales	54,428	0.039
Exchange Company Dues ⁽⁶⁾	21,488,039	15.498
Income Tax	1,387	0.001
Insurance	70,712	0.051
Management Fee ⁽⁷⁾	3,191,732	2.302
Postage, Printing and Handling	281,460	0.203
Property Taxes ⁽⁸⁾	2,440,247	1.760
Trustee Fees	97,055	0.070
Total Administration Expenses	37,151,729	\$26.795
Total Expenses	206,270,200	\$148.770
 Exchange Company Dues - per Beneficiary ⁽⁹⁾		 \$185 or \$225 or \$250

The following table is shown for illustrative purposes only:

Ownership Recognition Levels	Interests Purchased	Per Interest	Maintenance Fee	Exchange Company Dues	Total
Owner	6	\$131.80	\$791	\$185	\$976
Select	16	\$131.80	\$2,109	\$185	\$2,294
Executive	28	\$131.80	\$3,690	\$225	\$3,915
Presidential	40	\$131.80	\$5,272	\$225	\$5,497
Chairman	60	\$131.80	\$7,908	\$250	\$8,158

MVC TRUST OWNERS ASSOCIATION, INC.

Footnotes

- 1) The Board of Directors has approved a change in the Association's fiscal year to a calendar year. This budget for fiscal year 2017 reflects the 2017 calendar year plus one additional day due to the transition from a 2016 periodic fiscal year to a 2017 calendar-based fiscal year.
- 2) 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.
- 3) 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.
- 4) 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).
- 5) 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.
- 6) 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.
- 7) 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.
- 8) The estimated real estate taxes for the Association are projected to be \$2,440,247. 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.
- 9) Exchange Company Club Dues are billed at a rate of either \$185, \$225 or \$250 depending on the ownership recognition level.

2017 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	Estimated Replacement Cost ^(c)	Estimated Remaining Useful Life	Anticipated Beginning Fund Balance (12/31/16)	2017 Budgeted Reserves ^(d)
Pavement Resurfacing	12 Years	-	12 Years	\$ -	-
Roof Replacement	20 Years	-	20 Years	-	-
External Building Maintenance	10 Years	-	10 Years	-	-
Furniture and Fixtures	8 Years	-	8 Years	-	-
Building Painting	8 Years	-	8 Years	-	-
Common Area Rehabilitation	8 Years	-	8 Years	-	-
TOTAL		-		\$ -	-

- (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.

Notes from 2015 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 point 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 January 1, 2016 and January 2, 2015 was \$87,461 and (\$273,534), respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of maintenance fees receivable due from MRHC at January 1, 2016 and January 2, 2015 was \$6,973,177 and \$7,598,273, 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 July 16, 2016, there were 338,371,750 such Points for Sale and 355,862,707 Points for Use.

MVC Trust Owners Association, Inc.

2017 Common Expense Budget

Frequently Asked Questions

Q. Why is the Association's Management Company recommending the Association change its fiscal year?

A. Changing the Association's fiscal year from a 13-period year to a 12-month calendar year will align the Association with the Management Company's anticipated fiscal year change, as well as the operating year of most banking institutions, vendors and other external third parties.

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.

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 2017?

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 of 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:

Ownership Recognition Levels	Interests Purchased	Per Interest	Maintenance Fee	Exchange Company Dues	Total
Owner	6	\$131.80	\$791	\$185	\$976
Select	16	\$131.80	\$2,109	\$185	\$2,294
Executive	28	\$131.80	\$3,690	\$225	\$3,915
Presidential	40	\$131.80	\$5,272	\$225	\$5,497
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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 2016 to 2017?

A. The increase in Assessment revenue is mainly due to the increase in Component Expenses. Component Expenses are expected to increase due to 8% increase in inventory added to the Trust, and 4.6% weighted average increase 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).

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 Beneficiaries is expected to increase 14% from 2016 to 2017. The uncollected percentage (uncollected receivables divided by the total Assessments billed) is estimated at 2.2% in 2017, which is the same as the prior year.

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 2016 to 2017, and owner credit card usage is expected to be 78% of total owner payments.