

OCEAN POINTE AT PALM BEACH SHORES CONDOMINIUM ASSOCIATION, INC.

2017 Estimated Operating Budget

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

	2016 BUDGETED EXPENSES 17,561.5 UNIT WEEKS (PER UNIT WEEK)	2017 APPROVED BUDGET 17,562 UNIT WEEKS (PER UNIT WEEK)	2016 BUDGET VS 2017 BUDGET INCREASE/(DECREASE)		2017 APPROVED BUDGET TOTAL \$	2017 BUDGET BY VILLA TYPE		
			\$	%		2 BEDROOM 15,914 UNIT WEEKS (PER UNIT WEEK)	3 BEDROOM 1,648 UNIT WEEKS (PER UNIT WEEK)	
						\$	\$	
Revenue								
GOLD (WEEKS 22 - 34)	1,447.39	1,495.24	47.85	3.3%	6,628,499	1,463.35	1,803.57	
PLATINUM (WEEKS 1 - 17,51 - 52)	1,522.95	1,564.77	41.82	2.7%	10,138,284	1,532.16	1,880.04	
SILVER (WEEKS 18 - 21,35 - 50)	1,427.96	1,477.37	49.41	3.5%	9,824,640	1,447.28	1,768.31	
Bank/Investment Interest	0.30	1.14	0.84	280.0%	19,947	1.11	1.34	
Late Fees	3.01	3.01	0.00	0.0%	52,946	2.96	3.56	
Maintenance Fee Interest Income	6.50	6.76	0.26	4.0%	118,747	6.64	7.98	
Miscellaneous Income	5.16	5.50	0.34	6.6%	96,542	5.39	6.49	
Total Maintenance Fee Revenue					26,879,605			
Expenses								
Accounting	19.79	18.35	(1.44)	(7.3%)	322,297	18.01	21.67	
Activities ³	29.25	30.89	1.64	5.6%	542,521	30.31	36.47	
Administration	44.41	51.03	6.62	14.9%	896,264	50.08	60.25	
Audit Fee	0.85	0.85	0.00	0.0%	14,860	0.83	1.00	
Bad Debt Expense	8.54	7.97	(0.57)	(6.7%)	140,000	7.82	9.41	
Billing and Collections	9.67	9.86	0.19	2.0%	173,156	9.68	11.64	
Board of Directors	1.00	1.00	0.00	0.0%	17,500	0.98	1.18	
Cable Television	8.94	8.96	0.02	0.2%	157,416	8.80	10.58	
Common Assessment ⁴	(3.05)	(3.39)	(0.34)	(11.1%)	(59,505)	(3.32)	(4.00)	
Credit Card Fee	24.33	24.36	0.03	0.1%	427,850	23.91	28.76	
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	2.00	2.00	0.00	0.0%	35,080	1.96	2.36	
Electricity	48.00	45.60	(2.40)	(5.0%)	800,767	44.74	53.83	
Front Desk	83.89	91.55	7.66	9.1%	1,607,753	89.84	108.08	
Gas	11.70	11.70	0.00	0.0%	205,476	11.48	13.81	
High Speed Internet	2.48	2.56	0.08	3.2%	44,900	2.51	3.02	
Housekeeping ⁸	216.29	229.88	13.59	6.3%	4,037,156	225.58	271.39	
Human Resources	14.46	15.68	1.22	8.4%	275,451	15.39	18.52	
Income Tax	2.95	3.40	0.45	15.3%	59,773	3.34	4.02	
Insurance	54.31	52.93	(1.38)	(2.5%)	929,588	51.94	62.49	
Landscape / Grounds	37.32	38.53	1.21	3.2%	676,683	37.81	45.49	
Legal	0.57	0.57	0.00	0.0%	10,016	0.56	0.67	
Loss Prevention / Security	54.06	59.73	5.67	10.5%	1,048,992	58.61	70.52	
Maintenance	106.22	119.31	13.09	12.3%	2,095,305	117.08	140.85	
Management Fee	133.45	137.65	4.20	3.1%	2,417,402	135.08	162.51	
Operating Capital	0.00	0.00	0.00	0.0%	0	0.00	0.00	
Other Expenses	0.00	0.00	0.00	0.0%	0	0.00	0.00	
Pest Control	1.96	1.90	(0.06)	(3.1%)	33,429	1.87	2.25	
Pool Maintenance	20.68	21.24	0.56	2.7%	373,102	20.85	25.08	
Postage and Printing	2.41	2.53	0.12	5.0%	44,400	2.48	2.98	
Refuse Collection	2.89	2.89	0.00	0.0%	50,830	2.84	3.42	
Rent for Recreation	0.00	0.00	0.00	0.0%	0	0.00	0.00	
Taxes upon Association Property	0.00	0.00	0.00	0.0%	0	0.00	0.00	
Taxes Upon Leased Areas	0.00	0.00	0.00	0.0%	0	0.00	0.00	
Telephone	3.85	4.05	0.20	5.2%	71,124	3.97	4.78	
Water and Sewer	20.58	20.59	0.01	0.0%	361,675	20.21	24.31	
Operating Fee	963.80	1,014.17	50.37	5.2%	17,811,261	995.24	1,197.34	
Deficit Recovery/(Surplus Return)	0.00	(8.54)	(8.54)	100.0%	(150,000)	(8.38)	(10.08)	
Total Net Operating	948.83	989.22	40.39	4.3%	17,373,079	970.76	1,167.89	
Reserve Fee ⁶	331.07	351.92	20.85	6.3%	6,180,464	345.34	415.47	
Operating And Reserve Fee	1,294.87	1,357.55	62.68	4.8%	23,841,725	1,332.20	1,602.73	
Estimated Property Tax⁵								
GOLD (WEEKS 22 - 34)	167.49	154.10	(13.39)	(8.0%)	683,111	147.25	220.21	
PLATINUM (WEEKS 1 - 17,51 - 52)	243.05	223.63	(19.42)	(8.0%)	1,448,870	216.06	296.68	
SILVER (WEEKS 18 - 21,35 - 50)	148.06	136.23	(11.83)	(8.0%)	905,899	131.18	184.95	
Total Maintenance Fee Plus Property Tax					26,879,605			
Club Dues ¹	4.00	4.00	0.00	0.0%	-----	4.00	4.00	
International Owners Surcharge ²	34.50	34.50	0.00	0.0%	-----	34.50	34.50	
Owner Service Fee ⁷	38.78	41.11	2.33	6.0%	-----	41.11	41.11	

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2017 Estimated Operating Budget Notes
For The Period Beginning December 31, 2016 And Ending December 31, 2017

Notes to the 2017 Estimated Operating Budget

- 1) The Resort Affiliation Agreement (and thus membership in the Club for every Owner of a Timeshare Estate in Club Unit) is a Limited Common Element of each Club Unit. Costs assessed by the Club Manager or otherwise incurred by the Association pursuant to the Resort Affiliation Agreement constitute Multisite Timeshare Plan Common Expenses, to be apportioned only among Owners of Timeshare Estates in Club Units.
- 2) International Owners fee of seventy nine dollars and sixty one cents (\$79.61), thirty four dollars and fifty cents (\$34.50) higher than domestic, includes additional costs for postage, personal delivery, increased frequency of and costs associated with long-distance telephone calls, translation costs, telefacsimile communications and labor costs for additional, special support staff. The fee may, from time to time, be increased to reflect any increase in the cost of providing services, provided, however, any such increase shall not exceed one hundred and fifteen percent (115%) of the immediately preceding year's fee, unless approved in advance by the majority of all Owners.
- 3) Pursuant to Article 4.4 of the Declaration the Developer has granted to the Association for the benefit of Owners a perpetual non-exclusive easement for use and enjoyment of the Recreation Area. Owners, through assessments imposed by the Association, shall pay all costs whatsoever related to use, operation, and management of the Recreation Area, to include setting aside reserves for capital expenditures, deferred maintenance, etc., as if this Recreation Area was part of the Common Elements. The estimated expenses for the Recreation Area have been included within the various line items of the above estimated operating budget.
- 4) Each residential Unit with the same number of bedrooms (i.e., either a two or three bedroom Unit) within the Condominium shall have an equal undivided percentage interest in the Common Elements and Common Surplus and an equal share of the Common Expenses of the Condominium (i.e., each two bedroom Unit shall have the same undivided percentage interest and same share as every other two bedroom Unit and similarly each three bedroom Unit shall likewise have the same undivided percentage interest and same share as every other three bedroom Unit). The undivided percentage interest in the Common Elements and Common Surplus and the share of the Common Expenses of the Condominium of the respective two and three bedroom classes of Units as a whole shall be based upon the total square footage of each separate class of residential Unit (i.e., two bedroom or three bedroom) in uniform relationship to the total square footage of each other separate class of residential Unit. As additional phases are added to the Condominium, the respective percentage interests in the Common Elements and Common Surplus and share of the Common Expenses of the Units already declared into the Condominium will be decreased accordingly.
- 5) Florida law requires the Managing Entity hired by the Association to collect ad valorem taxes assessed by the Palm Beach 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 tax 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	2 BEDROOM	3 BEDROOM
GOLD (WEEKS 22 - 34)	\$154.10	\$147.25	\$220.21
PLATINUM (WEEKS 1 - 17,51 - 52)	\$223.63	\$216.06	\$296.68
SILVER (WEEKS 18 - 21,35 - 50)	\$136.23	\$131.18	\$184.95

- 6) 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.

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
Roof Replacement	22	\$4,047,101	7	\$399,058	\$144,981
Furniture and Fixtures	14	\$50,386,766	4	(\$946,078)	\$4,779,394
Building Painting	10	\$1,461,357	4	(\$82,754)	\$213,166
External Building Maintenance	19	\$9,893,264	7	\$369,139	\$378,508
Pavement Resurfacing	15	\$438,732	3	\$96,576	\$31,729
Common Area Rehabilitation	12	\$7,371,348	3	\$548,561	\$632,686
TOTAL		\$73,598,568		\$384,502	\$6,180,464

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

On November 16, 2016, at a duly called meeting of Ocean Pointe at Palm Beach Shores Condominium Association, Inc., the majority of the non-developer voting interests voting in person or by limited proxy voted to approve the reduction of reserves for capital expenditures and deferred maintenance.

- 7) 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.

- 8) Certain operating expenses are presented in the budget net of funds estimated to be reimbursed to the Association in 2017, including but not limited to: (i) funds received from MVC Trust Owners Association, Inc. to account for housekeeping expenses necessitated by nightly use of accommodations by MVC Trust members, and (ii) fees paid to the Association by transient guests who voluntarily elect to receive a daily room cleaning.

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 amount due from (to) MVWC at December 31, 2015 and 2014 was \$208,577 and (\$1,003,325), 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 \$1,054,180 and \$1,463,131, 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 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.

Florida Club Fee: Membership fee giving you the usage option to customize a vacation experience at the other participating Florida Marriott Vacation Club resorts without utilizing a third-party exchange company (such as Interval International®). For our international Owners, the fee also relates to the additional costs of providing services internationally (e.g. higher postage costs, higher long- distance telephone costs and translation costs).

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.

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.

* 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