

WAIOHAI BEACH CLUB VACATION OWNERS ASSOCIATION ("VOA")

2017 Estimated Operating Budget

11,845 OWNERSHIP INTERESTS IN 230 UNITS

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

	2017 APPROVED BUDGET TOTAL	2 BEDROOM 11,845 (PER OWNERSHIP INTEREST)
	\$	

Revenue		
Maintenance Fee	23,851,066	2,013.60
Bank/Investment Interest	9,594	0.81
Late Fees	49,038	4.14
Maintenance Fee Interest Income	51,644	4.36
Miscellaneous Income	6,870	0.58
Total VOA Revenue	23,968,212	2,023.49
Association of Apartment Owners of Waiohai Beach Club ("AOAO") Assessment *	(6,544,101)	(552.48)
Total Maintenance Fee Revenue	17,424,111	1,471.01

Expenses		
Accounting	418,366	35.32
Activities	590,473	49.85
Administration	758,909	64.07
Audit Fee	15,280	1.29
Bad Debt Expense	238,321	20.12
Billing and Collections	113,830	9.61
Board of Directors	13,503	1.14
Cable Television	78,532	6.63
Contingency	0	0.00
Credit Card Fee	280,845	23.71
Fitness Center and Activities Space License Agreement ³	268,289	22.65
Front Desk	1,268,481	107.09
General Excise Tax	692,222	58.44
High Speed Internet	59,699	5.04
Housekeeping ⁴	3,737,453	315.53
Human Resources	223,752	18.89
Income Tax	10,187	0.86
Insurance	200,299	16.91
Legal	0	0.00
Maintenance	1,421,755	120.03
Management Fee	1,573,371	132.83
Owner Services ²	486,948	41.11
Postage and Printing	37,193	3.14
Property Taxes	2,376,225	200.61
Telephone	62,186	5.25
Operating Fee	14,926,119	1,260.12

Deficit Recovery/(Surplus Return)	(250,048)	(21.11)
Total Net Operating	14,676,071	1,239.01

Reserve Fee ¹	2,748,040	232.00
Operating And Reserve Fee	17,424,111	1,471.01

Association of Apartment Owners of Waiohai Beach Club ("AOAO") Assessment	6,544,101	552.48
Total Expenses	23,968,212	2,023.49

Total Maintenance Fee	23,851,066	2,013.60
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Capitalized terms not defined in this budget have the meaning given to them in the Waiohai Beach Club Vacation Ownership Program Declaration of Covenants, Conditions and Restrictions.

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

Owners of Every Other Year Ownership Interests shall pay 50% of the Total Maintenance Fee Billed to Owners of Every Year Ownership Interests, which shall be \$1,006.80.

Owners who reside in countries other than the United States and Canada and/or Owners who reside in the United States or Canada who have mailing addresses, telephone numbers or fax numbers outside of the United States and Canada, in addition to other charges assessed pursuant to the Declaration, shall be charged an annual fee, as part of their Personal charges, (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 Thirty Four dollars and 50 cents (\$34.50 U.S.). 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 in advance by a majority of all Owners who are subject to the International Owner's Surcharge.

WAIOHAI BEACH CLUB VACATION OWNERS ASSOCIATION ("VOA")
 2017 Estimated Operating Budget Notes
 11,845 OWNERSHIP INTERESTS IN 230 UNITS
 For The Period Beginning December 31, 2016 And Ending December 31, 2017

Notes to the 2017 Estimated Operating Budget

This budget has been prepared on an accrual basis.

1) Planned replacement reserves are the moneys that the VOA'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 Years	Anticipated Beginning Fund Balance As Of December 31, 2016	Contribution For 2017	% Of Fund Balance Over Replacement Costs	Age In Years As Of December 31, 2016
Furniture and Fixtures	12	\$26,979,009	7	\$5,449,963	\$2,748,040	20.20%	5
TOTAL		\$26,979,009		\$5,449,963	\$2,748,040		

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 VOA 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 VOA 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.

3) This fee is paid to Marriott Ownership Resorts, Inc. by the Association pursuant to the Fitness Center and Activities Space License Agreement (the "Agreement"). The Agreement is subject to termination at the end of the Initial Term or at the end of the first year of any Renewal Term upon no less than ninety (90) days' written notice (in addition to other termination rights). If terminated, the Agreement expense remaining unpaid by the Association to Marriott Ownership Resorts, Inc. for the remainder of the year will be reallocated to contingency.

4) 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.

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.

ASSOCIATION OF APARTMENT OWNERS OF WAIOHAI BEACH CLUB ("AOAO")

2017 Estimated Operating Budget

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

	2017 APPROVED BUDGET TOTAL	COMMERCIAL UNITS			
		Time Share	Resort Sales Apartments	Hotel Apartments	Commercial Apartments
	\$				

Revenue					
Association Fees – Commercial Units	386,323		28,462	81,614	276,247
Maintenance Fee	6,544,101	6,544,101	0	0	0
Bank/Investment Interest	11,700	11,048	48	138	466
Maintenance Fee Interest Income	20,400	19,263	84	240	813
Overnight Parking Revenue	119,455	112,795	491	1,407	4,762
Total Maintenance Fee Revenue	7,081,979	6,687,207	29,085	83,399	282,288

Expenses					
Accounting	24,858	23,472	102	293	991
Administration	38,340	36,204	157	451	1,528
Audit Fee	10,925	10,316	45	129	435
Bad Debt Expense	77,833	73,494	320	917	3,102
Board of Directors	14,086	13,301	58	166	561
Contingency	0	0	0	0	0
Credit Card Fee	110,119	103,981	452	1,297	4,389
Electricity	1,676,708	1,583,243	6,886	19,745	66,834
Gas	245,929	232,220	1,010	2,896	9,803
General Excise Tax	5,246	4,953	22	62	209
Housekeeping	398,429	376,219	1,636	4,692	15,882
Human Resources	11,366	10,732	47	134	453
Income Tax	38,226	36,095	157	450	1,524
Insurance	486,127	459,029	1,996	5,725	19,377
Landscape / Grounds	435,227	410,967	1,787	5,125	17,348
Loss Prevention / Security	647,630	611,528	2,660	7,627	25,815
Maintenance	227,012	214,358	932	2,673	9,049
Management Fee	630,039	594,919	2,587	7,419	25,114
Pest Control	33,172	31,323	136	391	1,322
Poipu Beach Resort Association	10,845	10,240	45	128	432
Pool Maintenance	158,411	149,581	651	1,865	6,314
Postage and Printing	5,850	5,524	24	69	233
Refuse Collection	122,373	115,551	503	1,441	4,878
Water and Sewer	442,273	417,620	1,816	5,208	17,629
Operating Fee	5,851,024	5,524,870	24,029	68,903	233,222

Deficit Recovery/(Surplus Return)	(200,000)	(188,852)	(821)	(2,355)	(7,972)
Total Net Operating	5,651,024	5,336,018	23,208	66,548	225,250

Reserve Fee ¹	1,430,955	1,351,189	5,877	16,851	57,038
Operating And Reserve Fee	7,081,979	6,687,207	29,085	83,399	282,288

Capitalized terms not defined in this budget have the meaning given to them in the Declaration of Condominium Property Regime of Waiohai Beach Club.

ASSOCIATION OF APARTMENT OWNERS OF WAIHAI BEACH CLUB ("AOAO")
 2017 Estimated Operating Budget Notes
 For The Period Beginning December 31, 2016 And Ending December 31, 2017

Notes to the 2017 Estimated Operating Budget

This budget has been prepared on an accrual basis.

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 Years	Anticipated Beginning Fund Balance As Of December 31, 2016	Contribution For 2017	% Of Fund Balance Over Replacement Costs	Age In Years As Of December 31, 2016
Roof Replacement	25	\$3,429,650	13	\$619,799	\$109,731	18.07%	12
Building Painting	7	\$928,768	2	\$363,310	\$143,535	39.12%	5
External Building Maintenance	18	\$1,049,416	3	\$340,931	\$119,894	32.49%	15
Pavement Resurfacing	13	\$235,677	7	\$6,696	\$16,607	2.84%	6
Common Area Rehabilitation	15	\$9,710,984	8	(\$270,461)	\$1,041,188	(2.79%)	7
TOTAL		\$15,354,495		\$1,060,275	\$1,430,955		

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.

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.

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?

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