

November 1, 2017

RE: Notice of Board of Directors Meeting
Oceana Palms Condominium Association, Inc.

Dear Marriott's Oceana Palms Owner:

A regular meeting of the Board of Directors of Oceana Palms Condominium Association, Inc. will be held at 9:00 a.m., Eastern time, on November 16, 2017, at the West Palm Beach Marriott (see Reader Board for exact meeting room location), 1001 Okeechobee Boulevard, West Palm Beach, Florida 33401.

The primary purpose of the meeting is to review and approve the enclosed Proposed Condominium Association 2018 Operating and Reserve Budget. As a member of the Association, your presence and participation during the budget review approval process is encouraged and welcomed at this meeting.

As you are aware, the total annual maintenance fee is based on three distinct and separately calculated components. First, the fee includes a budgeted estimate of the 2018 Operating Fees, and is apportioned equally to all Owners. Second and based on the most current Reserves Study, the fee also includes a separate Reserves component to provide funding for future property replacement costs and capital maintenance. This Reserve Fee is also applied equally to all Owners. The third component is the applicable Real Estate Property Taxes on your deeded property interest and this amount is not equal to all Owners due to the "seasonality" valuation – for example: Gold, Platinum and Platinum-Plus categorization. Based on the above, the total percentage increase or decrease for 2018 will vary accordingly.

Please pay particular attention to the Reserve Fee on the enclosed proposed budget. For further explanation, see item 2.A. of the Limited Proxy which was recently distributed to you in the Notice of Annual Meeting package.

The Board of Directors reviews the Association's reserve funding needs on a regular basis, and will do so again at this meeting. The goal has been and remains, to maintain a balanced approach in reserve contributions versus projected expenditures for the Association.

The proposed 2018 Maintenance Fee for Gold is \$2163.55. For both Platinum and Platinum-Plus, the proposed 2018 Maintenance Fee would be \$2260.60. See table below:

<u>2018 Proposed Maintenance Fee</u>	<u>Gold</u>	<u>Platinum</u>	<u>Platinum-Plus</u>
Net Operating Fee	\$1196.61	\$1196.61	\$1196.61
Reserve Fee	\$736.83	\$736.83	\$736.83
Property Tax	\$230.11	\$327.16	\$327.16
Total	\$2163.55	\$2260.60	\$2260.60

There is an increase from 2017 in the Operating Fee of \$39.94 largely attributed to the inflation of goods and services as well as an increase in the "Maintenance" line item to continue to maintain the aging buildings in a manner consistent with expectations of the Oceana Palms owners. Many of the other increases throughout the budget were offset by efficiencies found within the operation, particularly within the overall reduced cost of the "Housekeeping" line item. In 2018 the Reserve Fee will be increased by \$75.76 over 2017, as a result of the proposed fully funding of the reserve outlined in section 2.A of the Limited Proxy which was recently distributed to you in the Notice of Annual Meeting package. Also in 2018 you will notice that there was a decrease in the Property Tax fees of \$12.01 for Gold Owners and \$17.07 for Platinum and Platinum-Plus Owners.

The Board will consider Owner input prior to taking formal action on the proposed budget. **Open budget discussions with Owners are scheduled from 10:30 a.m. to 10:45 a.m.** If you have any questions or would like additional information, please contact Chris Cano, General Manager, by phone at 561-227-3606 or by email at chris.cano@vacationclub.com. Inquires may also be sent to the Board of Directors email address at mvcibop@vacationclub.com.

In order to accommodate the Owners planning to attend the Board of Directors Meeting, please RSVP to Heather Smith, Executive Assistant, at 561-227-3608 or by email at heather.smith@vacationclub.com by November 7, 2016.

Sincerely,

Sally Rich

Secretary/Treasurer

Oceana Palms Condominium Association, Inc.

Board of Directors

**Oceana Palms Condominium Association, Inc.
Board of Directors Meeting**

November 16, 2017 at 9:00 a.m., Eastern Time

West Palm Beach Marriott
(See Reader Board for exact meeting location)
1001 Okeechobee Boulevard
West Palm Beach, Florida, 33401

Agenda

- Call to Order
- Establishment of Quorum and Roll Call
- Appointment of Recording Secretary
- Proof of Notice of Board Meeting
- Approval of Agenda
- Approval of Previous Meeting Minutes
 - May 3, 2017 Board of Directors Meeting
 - July 14, 2017 Board of Directors Meeting
 - August 10, 2017 Nominating Committee Meeting
- Resort Operations Report
- Financial Report
 - 2017 Year-to-Date Financials and Forecast
 - Reserve Update
 - Accounts Receivable
 - Proposed 2018 Budget Discussion
(Open Budget Discussion with Owners: 10:30 a.m. - 10:45 a.m.)
 - Approval of 2018 Budget
- Unfinished Business
 - 2018 83 Villa 5-Year Soft Goods Renovation
- New Business
 - Establishment of 2018 Board of Directors Meeting Dates
- Adjournment

Oceana Palms Condominium Association, Inc.

2018 ESTIMATED TIMESHARE PLAN COMMON EXPENSE BUDGET

For The Period Beginning January 1, 2018 And Ending December 31, 2018

PHASES 1, 2 (159 TIMESHARE UNITS – 8,193 UNIT WEEKS, 10 CONDOMINIUM UNITS, 4 COMMERCIAL UNITS)

	2018 PROPOSED BUDGET TOTAL \$	2018 PROPOSED BUDGET 8,193 (PER UNIT WEEK)	Condominium (Per Unit)	Commercial (Annual)
Revenues				
Assessments - Commercial	1,745	-	-	1,744.81
Assessments - Condominium	263,599	-	516.86	-
GOLD (WEEKS 20 - 44)	8,437,833	2,163.55	-	-
PLATINUM (WEEKS 1 - 6,8 - 19,45 - 50)	8,626,438	2,260.60	-	-
PLATINUM PLUS (WEEKS 7,51 - 52)	1,078,305	2,260.60	-	-
Bank/Investment Interest	4,039	0.49	-	0.40
Late Fees	7,786	0.95	-	0.78
Maintenance Fee Interest Income	16,876	2.06	-	1.69
Total Maintenance Fee Revenue	18,436,621		516.86	1,747.68

Expenses				
Accounting	180,204	21.99	-	21.20
Activities	599,820	73.20	-	59.98
Administration	663,467	80.97	-	78.06
Bad Debt Expense	14,504	1.77	-	1.45
Cable Television	47,109	5.75	-	4.71
Condominium Common Expenses	2,297,435	263.97	263.97	230.00
Credit Card Fee	68,758	8.39	-	6.88
Electricity	468,873	57.22	-	53.28
Front Desk	689,954	84.20	-	69.00
Gas	104,089	12.70	-	10.41
High Speed Internet	36,444	4.45	-	3.64
Housekeeping ⁽⁵⁾	1,644,733	200.73	-	173.13
Human Resources	83,163	10.15	-	9.78
Income Tax	26,630	3.25	-	2.66
Insurance	345,765	42.20	-	46.10
Legal	10,000	1.22	-	1.00
Maintenance	819,638	100.02	-	136.60
Management Fee	1,308,631	159.71	-	167.35
Operating Capital	-	-	-	-
Other Expenses	-	-	-	-
Owner Services ⁽⁴⁾	357,051	43.58	-	35.71
Pool Maintenance	159,075	19.41	-	15.91
Postage and Printing	8,000	0.98	-	0.80
Rent for Recreation	-	-	-	-
Taxes upon Association Property	-	-	-	-
Taxes Upon Leased Areas	-	-	-	-
Telephone	35,351	4.31	-	3.54
Total Expenses	9,968,694	1,200.17	263.97	1,131.19

Reserve Fee - Timeshare ⁽¹⁾	3,964,904	483.94	-	396.49
Reserve Fee - Common	2,201,096	252.89	252.89	220.00
Total Expenses for Operating and Reserves	16,134,694	1,937.00	516.86	1,747.68

Estimated Property Tax⁽²⁾				
GOLD (WEEKS 20 - 44)	897,429	230.11	-	-
PLATINUM (WEEKS 1 - 6,8 - 19,45 - 50)	1,248,443	327.16	-	-
PLATINUM PLUS (WEEKS 7,51 - 52)	156,055	327.16	-	-
Total Maintenance Fee Plus PropertyTax	18,436,621		516.86	1,747.68

International Owner Fee ⁽³⁾	-----	34.50	-----	-----
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Oceana Palms Condominium Association, Inc.

2018 ESTIMATED CONDOMINIUM COMMON EXPENSE BUDGET

FOR THE PERIOD BEGINNING JANUARY 1, 2018 AND ENDING DECEMBER 31, 2018

PHASES 1, 2 (159 TIMESHARE UNITS – 8,193 UNIT WEEKS, 10 CONDOMINIUM UNITS, 4 COMMERCIAL UNITS)

	<u>Annual Total</u>	<u>Timeshare (Annual)</u>	<u>Condominium (Annual)</u>	<u>Commercial (Annual)</u>
<u>Revenues</u>				
Assessments	\$ 4,498,530	\$ 4,234,465	\$ 263,615	\$ 450
Other Income	-	-	-	-
Total Revenue	<u>\$ 4,498,530</u>	<u>\$ 4,234,465</u>	<u>\$ 263,615</u>	<u>\$ 450</u>
<u>Expenses</u>				
Accounting	31,801	29,934	1,864	3
Administration	117,166	110,288	6,866	12
Audit Fee	16,080	15,136	942	2
Billing and Collections	107,738	101,414	6,313	11
Board of Directors	14,400	13,555	844	1
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	9,465	8,909	555	1
Electricity	63,940	60,187	3,747	6
Housekeeping ⁽⁵⁾	86,563	81,481	5,073	9
Human Resources	14,676	13,815	860	1
Insurance	115,259	108,493	6,754	12
Landscape / Grounds	115,176	108,415	6,749	12
Loss Prevention / Security	393,820	370,703	23,078	39
Maintenance	546,395	514,321	32,019	55
Management Fee	364,839	343,423	21,380	36
Operating Capital	-	-	-	-
Other Expenses	-	-	-	-
Pest Control	15,129	14,240	887	2
Refuse Collection	103,844	97,749	6,085	10
Rent for Recreation	-	-	-	-
Taxes upon Association Property	-	-	-	-
Taxes Upon Leased Areas	-	-	-	-
Water and Sewer	181,144	170,511	10,615	18
Total Expenses	<u>\$ 2,297,435</u>	<u>\$ 2,162,574</u>	<u>\$ 134,631</u>	<u>\$ 230</u>
Total Reserves	2,201,096	2,071,892	128,984	220
Total Expenses for Operating and Reserves	<u>\$ 4,498,530</u>	<u>\$ 4,234,465</u>	<u>\$ 263,615</u>	<u>\$ 450</u>

Oceana Palms Condominium Association, Inc.
2018 Estimated Timeshare Plan Common Expense Budget Notes
PHASES 1, 2 (159 TIMESHARE UNITS – 8,193 UNIT WEEKS, 10 CONDOMINIUM UNITS, 4 COMMERCIAL UNITS)
For The Period Beginning January 1, 2018 And Ending December 31, 2018

Notes to the 2018 Estimated Operating Budget

1) 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 Oceana Palms Condominium units.

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

Components	Estimated Useful Life In Yrs	Estimated Replacement Cost	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of January 1, 2018	Contribution For 2018
Roof Replacement	23	\$1,155,913	17	\$188,616	\$58,124
Furniture and Fixtures	11	\$27,478,715	5	\$6,093,634	\$4,369,004
Building Painting	7	\$393,950	1	\$293,620	\$102,488
External Building Maintenance	19	\$1,784,450	14	\$394,590	\$101,411
Pavement Resurfacing	17	\$429,855	11	\$66,150	\$33,775
Common Area Rehabilitation	13	\$13,553,780	8	\$1,797,055	\$1,501,198
TOTAL		\$44,796,663		\$8,833,665	\$6,166,000

2) 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 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.

3) 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 fifteen percent (115%) of the International Owner's Surcharge in the immediately preceding year, unless approved by a majority of all Owners.

Estimated 2018 Ad Valorem Taxes	AVERAGE
GOLD (WEEKS 20 - 44)	\$230.11
PLATINUM (WEEKS 1 - 6, 8 - 19, 45 - 50)	\$327.16
PLATINUM PLUS (WEEKS 7, 51 - 52)	\$327.16

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.

5) Certain operating expenses are presented in the budget net of funds estimated to be reimbursed to the Association in 2018, including but not limited to: (i) funds received from MVC Exchange Company to account for housekeeping expenses necessitated by nightly use of accommodations by Marriott Vacation Club Destinations Exchange Program members, and (ii) fees paid to the Association by transient guests who voluntarily elect to receive a daily room cleaning.

Notes From 2016 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 from MVWC at December 30, 2016 and January 1, 2016 was \$71,583 and \$75,319, respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of Maintenance fees receivable due from MRHC at December 30, 2016 and January 1, 2016 was \$175,454 and \$239,926, respectively.

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