

October 24, 2018

Dear Custom House Owner:

A regular meeting of the Custom House Leasehold Condominium Association, LLC Board of Directors will be held at 8:00 a.m., Eastern time, on November 7, 2018, in the Liberty Room of Marriott Vacation Club PulseSM at Custom House, Boston, 3 McKinley Square, Boston, Massachusetts 02109.

Assessments will be considered and voted on as such assessments relate to the 2019 Maintenance Fee. The nature of such assessments is set forth in line item manner on the Proposed Budget for 2019, a copy of which is enclosed for your review.

Open budget discussion with members is scheduled from 10:30 a.m. to 11:30 a.m.

As a member of the Association, your comments and/or presence are welcome at this meeting. Any comments will be considered by the Board prior to the Board taking formal action on the proposed budget.

The Annual Meeting of the Owners is scheduled for 1:00 p.m. to 3:00 p.m., Eastern time, on the same day, November 7, 2018, in the Counting Room of Marriott Vacation Club PulseSM at Custom House, Boston, 3 McKinley Square, Boston, Massachusetts 02109.

If you have any questions, please contact Ginger James, Director of Finance, by phone at 617-310-6326 or by email at ginger.james@vacationclub.com.

Sincerely,

Phil Lynch

Secretary

Custom House Leasehold Condominium Association, LLC

CUSTOM HOUSE LEASEHOLD CONDOMINIUM ASSOCIATION, LLC

2019 ESTIMATED OPERATING BUDGET

PHASES 1-5 (84 UNITS)

For The Period Beginning January 1, 2019 And Ending December 31, 2019

	2018 BUDGETED EXPENSES 4,284 (PER TIME-SHARE ESTATE)	2019 PROPOSED BUDGET 4,284 (PER TIME-SHARE ESTATE)	2018 BUDGET VS 2019 BUDGET INCREASE/(DECREASE)		2019 PROPOSED BUDGET TOTAL \$	Commerical Unit F-1	Commerical Unit G
			\$	%			

Revenue							
Maintenance Fee - Commercial Unit					59,713	43,305	16,408
Maintenance Fee	1,845.50	1,927.25	81.75	4.4%	8,256,411	-	-
Bank/Investment Interest	1.88	4.62	2.74	145.7%	19,790	-	-
Late Fees	4.50	4.15	(0.35)	(7.8%)	17,775	-	-
Maintenance Fee Interest Income	11.70	16.88	5.18	44.3%	72,308	-	-
Miscellaneous Income	0.93	1.18	0.25	26.9%	5,040	-	-
Other Income	0.23	0.47	0.24	104.3%	2,000	-	-
Total Maintenance Fee Revenue	1,864.74	1,954.55	89.81	4.8%	8,433,037	43,305	16,408

Expenses							
Accounting	46.13	47.70	1.57	3.4%	204,359	-	-
Activities	62.16	65.08	2.92	4.7%	278,819	-	-
Administration	90.52	94.69	4.17	4.6%	405,650	-	-
Audit Fee	2.96	2.96	-	0.0%	12,690	-	-
Bad Debt Expense	7.68	7.68	-	0.0%	32,906	-	-
Billing and Collections	9.38	9.38	-	0.0%	40,184	-	-
Board of Directors	1.76	1.76	-	0.0%	7,560	-	-
Cable Television	8.18	7.47	(0.71)	(8.7%)	32,000	-	-
Common Assessment	202.26	212.02	9.76	4.8%	953,037	32,439	12,291
Credit Card Fee	28.71	25.95	(2.76)	(9.6%)	111,170	-	-
Electricity	62.28	63.72	1.44	2.3%	272,978	-	-
Front Desk	215.22	232.89	17.67	8.2%	997,700	-	-
High Speed Internet	3.73	3.78	0.05	1.3%	16,200	-	-
Housekeeping	196.72	214.47	17.75	9.0%	918,779	-	-
Human Resources	31.40	30.57	(0.83)	(2.6%)	130,966	-	-
Income Tax	0.81	2.35	1.54	190.1%	10,054	-	-
Insurance	15.46	17.19	1.73	11.2%	73,652	-	-
Lease	3.65	3.83	0.18	4.9%	16,407	-	-
Loss Prevention / Security	29.22	30.94	1.72	5.9%	132,537	-	-
Maintenance	150.66	153.84	3.18	2.1%	659,048	-	-
Management Fee	142.90	149.14	6.24	4.4%	638,900	-	-
Owner Services**	43.58	44.89	1.31	3.0%	192,309	-	-
Payment In Lieu Of Property Tax	72.00	72.63	0.63	0.9%	311,136	-	-
Pest Control	0.49	0.55	0.06	12.2%	2,340	-	-
Postage and Printing	2.95	2.95	-	0.0%	12,624	-	-
Refuse Collection	3.49	3.89	0.40	11.5%	16,650	-	-
Steam	35.50	37.54	2.04	5.7%	160,800	-	-
Telephone	2.50	2.50	-	0.0%	10,710	-	-
Water and Sewer	15.87	15.87	-	0.0%	68,000	-	-
Wharf District Council Dues	-	0.93	0.93	100.0%	4,000	-	-
Operating Fee	1,488.17	1,559.16	70.99	4.8%	6,724,165	32,439	12,291

Reserve Fee for Repair and Replacement	308.93	324.38	15.45	5.0%	1,389,651	-	-
Reserve Fee for Repair and Replacement - Common	67.64	71.01	3.37	5.0%	319,221	10,866	4,117
Operating And Reserve Fee	1,864.74	1,954.55	89.81	4.8%	8,433,037	43,305	16,408

* CERTAIN OPERATING EXPENSES ARE PRESENTED IN THE BUDGET NET OF FUNDS ESTIMATED TO BE REIMBURSED TO THE ASSOCIATION IN 2019, INCLUDING BUT NOT LIMITED TO: (i) FUNDS RECEIVED FROM MVC TRUST OWNERS ASSOCIATION, INC. AND MVC EXCHANGE COMPANY TO ACCOUNT FOR HOUSEKEEPING EXPENSES NECESSITATED BY NIGHTLY USE OF ACCOMMODATIONS BY MVC TRUST MEMBERS AND 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.

** 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.

THE BUDGET CONTEMPLATES EIGHTY FOUR UNITS WITH FIFTY ONE TIME-SHARE PERIODS AVAILABLE FOR OCCUPANCY. IF THE PROJECT HAS MORE THAN EIGHTY FOUR UNITS AND/OR FIFTY ONE TIME-SHARE PERIODS AVAILABLE FOR OCCUPANCY, THEN THE ASSESSMENT PER TIME-SHARE PERIOD COULD BE REDUCED AND LIKEWISE IF THERE IS LESS THAN FIFTY ONE TIME-SHARE PERIODS AVAILABLE FOR OCCUPANCY, THEN THE ASSESSMENT PER TIME-SHARE PERIOD COULD BE INCREASED.

ODD/EVEN YEAR TIME-SHARE ESTATE OWNERS WILL PAY AN ANNUAL ASSESSMENT EQUAL TO ONE-HALF OF THE BASIC TIME-SHARE ESTATE PERIOD ASSESSMENT.

ESTIMATED EXPENSES ARE BASED ON EXPENSES ACTUALLY ANTICIPATED BY THE MANAGEMENT COMPANY'S ACCOUNTING STAFF BASED ON CURRENT INFORMATION WITHOUT A SEPARATE ADJUSTMENT FOR INFLATION.

CUSTOM HOUSE LEASEHOLD CONDOMINIUM ASSOCIATION, LLC

2019 ESTIMATED CONDOMINIUM COMMON EXPENSE BUDGET

PHASES 1-5 (84 UNITS)

FOR THE PERIOD BEGINNING January 1, 2019 AND ENDING December 31, 2019

	<u>Annual Total</u>	<u>Timeshare</u>	<u>Commercial Unit F-1</u>	<u>Commercial Unit G</u>
Revenues				
Maintenance Fees	\$1,272,258	\$1,212,545	\$ 43,305	\$ 16,408
Bank/Investment Interest	2,199	2,096	75	28
Total Maintenance Fee Revenue	<u>\$1,274,456</u>	<u>\$1,214,640</u>	<u>\$ 43,380</u>	<u>\$ 16,436</u>
Expenses				
Accounting	22,707	21,641	773	293
Administration	45,072	42,957	1,534	581
Audit Fee	1,410	1,344	48	18
Board of Directors	840	800	29	11
Electricity	48,173	45,912	1,640	621
Housekeeping	162,138	154,528	5,519	2,091
Human Resources	14,552	13,869	495	188
Income Tax	946	902	32	12
Insurance	18,413	17,549	627	237
Loss Prevention / Security	246,141	234,588	8,378	3,175
Maintenance	164,762	157,029	5,608	2,125
Management Fee	115,667	110,238	3,937	1,492
Payment In Lieu Of Property Tax	54,906	52,329	1,869	708
Pest Control	5,460	5,204	186	70
Refuse Collection	1,850	1,763	63	24
Steam	40,200	38,314	1,368	518
Water and Sewer	12,000	11,437	408	155
Operating Fee	<u>\$ 955,235</u>	<u>\$ 910,402</u>	<u>\$ 32,514</u>	<u>\$ 12,319</u>
Reserve Fee for Repair and Replacement	\$ 319,221	304,238	10,866	4,117
Operating And Reserve Fee	<u>\$1,274,456</u>	<u>\$1,214,640</u>	<u>\$ 43,380</u>	<u>\$ 16,436</u>

**CUSTOM HOUSE LEASEHOLD CONDOMINIUM ASSOCIATION, LLC
2019 PROPOSED BUDGET VARIANCE EXPLANATIONS**

Bank/Investment Interest

The increase in Investment Interest is based on the anticipated 2019 investment balances and returns.

Maintenance Fee Interest Income

The increase is based on historical date and the timing of payments by owners.

Credit Card Fee

The decrease is due to a slight decrease in the payments of owners by credit card. With additional savings from the restructuring of the Marriott Vacations Worldwide and Marriott International credit card agreement whereby savings are received for loyalty program usage.

Front Desk

The increase is primarily in wages and benefits to remain competitive and maintain wage parity in the Boston labor market and for Front Desk coverage requirements.

Housekeeping

This increase in Housekeeping is primarily in wages and benefits to remain competitive and maintain wage parity in the Boston labor market. With additional increases in outsourced laundry, the linen expense, breakfast items and the coffee expense. The increase includes the loss of income and the additional expense from the change to free guest room water.

Income Tax

The increase in investments resulting in higher investment interest leads to higher income tax.

Insurance

The increase in premiums is primarily in property insurance due to annual evaluations with insurance carriers.

Loss Prevention

This increase is primarily in wages and benefits to remain competitive and maintain wage parity in the Boston labor market.

Management Fee

In accordance with the Management Agreement, this annual net fee is based on ten percent of all fees the Management Company is required to collect pursuant to the budget on behalf of the Association, excluding the management fee for purposes of the calculation.

Reserve Fee

The reserve fee provides funding for future costs to maintain the integrity and long-term capital needs of the resort.

Steam

This increase is based on five years of rolling actuals including the current year forecast.

Wharf District Council

The Wharf District Council membership represents the expense for membership dues.