

September 26, 2019

Dear Marriott's Harbour Lake Owner:

A regular meeting of the Board of Directors of HAO Condominium Association, Inc., will be held at 9:00 a.m., Eastern time, on October 11, 2019, at Marriott's Cypress Harbour Talent Experience Center (see Reader Board for meeting room location) located at 6720 Captain's Way Orlando, Florida 32821.

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.

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

As noted on the Agenda, **open budget discussion with Association members is scheduled from 11:30 a.m. to 12:00 p.m., Eastern Time.**

If you have any questions or would like any additional information, please contact Melissa Fritsche, General Manager, by phone at 407-465-6298, or by email at melissa.fritsche@vacationclub.com.

Sincerely,

Les Holliday

Secretary

HAO Condominium Association, Inc.

HAO Condominium Association, Inc.
Board of Directors Meeting

October 11, 2019 at 9:00 a.m., Eastern Time

Marriott's Cypress Harbour
Talent Experience Center
(See Reader Board for meeting room location)
6720 Captain's Way
Orlando, Florida 32821

Agenda

- Call to Order
- Establishment of Quorum
- Proof of Notice of Board of Directors Meeting
- Appointment of Recording Secretary
- Approval of Agenda
- Approval of Prior Meeting Minutes
 - May 10, 2019 Board of Directors Meeting
 - July 23, 2019 Nominating Committee Meeting
 - July 23, 2019 Board of Directors Meeting
- Resort Operations Report
- Financial Report
 - 2019 Current Financials
 - Investments
 - Property Tax
 - Account Receivables
 - Reserve Projects
 - 2019 Current Year
 - 2020 Next Year
 - Proposed 2020 Budget
(Open Budget Discussion with Owners: 11:30 a.m. – 12:00 p.m.)
 - Approval of 2020 Budget
- Unfinished Business
 - Volunteer Form
 - Undeveloped Property Update
 - Declaraton of Condominium – Section 9.9
- New Business
 - Establishment of 2020 Board of Directors Meeting Dates
- Adjournment

HAO CONDOMINIUM ASSOCIATION, INC.

2020 Estimated Operating Budget

For The Period Beginning January 1, 2020 And Ending December 31, 2020

| | 2019 BUDGETED EXPENSES 16,068 UNIT WEEKS (PER UNIT WEEK) | 2020 PROPOSED BUDGET 16,068 UNIT WEEKS (PER UNIT WEEK) | 2019 BUDGET VS 2020 BUDGET INCREASE/(DECREASE) | | 2020 PROPOSED BUDGET TOTAL \$ | Commercial Units (5) \$ |
|--|---|---|---|---|--|-------------------------------|
| | | | \$ | % | | |

| Revenue | | | | | | |
|--------------------------------------|----------|----------|--------|---------|-------------------|--------------|
| Association Fees - Commercial Units | 0.00 | 0.00 | 0.00 | 0.0% | 2,132 | 2,132 |
| GOLD (WEEKS 18 - 21,35 - 50) | 1,427.31 | 1,704.40 | 277.09 | 19.4% | 10,369,566 | - |
| PLATINUM (WEEKS 1 - 17,22 - 34,51) | 1,456.70 | 1,731.61 | 274.91 | 18.9% | 16,748,126 | - |
| PLATINUM PLUS (WEEKS 52) | 1,456.70 | 1,731.61 | 274.91 | 18.9% | 540,262 | - |
| Bank/Investment Interest | 4.10 | 9.16 | 5.06 | 123.4% | 147,138 | - |
| Late Fees | 6.89 | 6.38 | (0.51) | (7.4%) | 102,591 | - |
| Maintenance Fee Interest Income | 12.56 | 11.23 | (1.33) | (10.6%) | 180,418 | - |
| Total Maintenance Fee Revenue | | | | | 28,090,233 | 2,132 |

| Expenses | | | | | | |
|---|---------------|-----------------|--------------|--------------|-------------------|--------------|
| Accounting | 17.05 | 18.23 | 1.18 | 6.9% | 292,993 | 29 |
| Activities | 50.99 | 52.00 | 1.01 | 2.0% | 835,489 | - |
| Administration | 43.42 | 42.86 | (0.56) | (1.3%) | 688,806 | 69 |
| Audit Fee | 0.95 | 0.89 | (0.06) | (6.3%) | 14,350 | 1 |
| Bad Debt Expense | 2.50 | 2.50 | 0.00 | 0.0% | 40,170 | - |
| Billing and Collections | 10.46 | 10.13 | (0.33) | (3.2%) | 162,840 | 16 |
| Board of Directors | 0.75 | 0.90 | 0.15 | 20.0% | 14,389 | 1 |
| Cable Television | 4.35 | 4.20 | (0.15) | (3.4%) | 67,479 | - |
| Credit Card Fee | 15.85 | 16.06 | 0.21 | 1.3% | 258,128 | - |
| Division of the Condominium, Timeshare, and Mobile Homes Fee (FL) | 2.00 | 2.00 | 0.00 | 0.0% | 32,136 | - |
| Electricity | 41.01 | 42.97 | 1.96 | 4.8% | 690,445 | 69 |
| Fees - Golf | 8.75 | 9.50 | 0.75 | 8.6% | 152,646 | - |
| Front Desk | 75.48 | 87.44 | 11.96 | 15.8% | 1,404,953 | - |
| Gas | 4.16 | 3.57 | (0.59) | (14.2%) | 57,402 | 6 |
| High Speed Internet | 3.58 | 3.58 | 0.00 | 0.0% | 57,499 | - |
| Housekeeping ⁵ | 201.41 | 221.40 | 19.99 | 9.9% | 3,557,806 | 356 |
| Human Resources | 17.06 | 22.34 | 5.28 | 30.9% | 359,073 | 36 |
| Income Tax | 3.26 | 5.18 | 1.92 | 58.9% | 83,289 | - |
| Insurance | 31.89 | 41.50 | 9.61 | 30.1% | 666,897 | 67 |
| Landscape / Grounds | 15.12 | 16.04 | 0.92 | 6.1% | 257,692 | 26 |
| Legal | 0.50 | 0.50 | 0.00 | 0.0% | 8,034 | 1 |
| Loss Prevention / Security | 47.95 | 48.47 | 0.52 | 1.1% | 778,914 | 78 |
| Maintenance | 90.00 | 98.67 | 8.67 | 9.6% | 1,585,537 | 159 |
| Management Fee | 131.41 | 156.48 | 25.07 | 19.1% | 2,514,553 | 251 |
| Operating Capital | 0.00 | 0.00 | 0.00 | 0.0% | 0 | - |
| Other Expenses | 0.00 | 0.00 | 0.00 | 0.0% | 0 | - |
| Owner Services ⁴ | 44.89 | 46.24 | 1.35 | 3.0% | 742,931 | - |
| Pest Control | 5.52 | 5.75 | 0.23 | 4.2% | 92,477 | 9 |
| Pool Maintenance | 24.66 | 26.84 | 2.18 | 8.8% | 431,204 | - |
| Postage and Printing | 2.34 | 2.41 | 0.07 | 3.0% | 38,693 | - |
| Refuse Collection | 2.82 | 2.98 | 0.16 | 5.7% | 47,882 | 5 |
| Rent for Recreation | 0.00 | 0.00 | 0.00 | 0.0% | 0 | - |
| Taxes upon Association Property | 0.00 | 0.00 | 0.00 | 0.0% | 0 | - |
| Taxes upon Leased Areas | 0.00 | 0.00 | 0.00 | 0.0% | 0 | - |
| Telephone | 5.75 | 5.92 | 0.17 | 3.0% | 95,123 | - |
| Water and Sewer | 10.06 | 9.96 | (0.10) | (1.0%) | 160,033 | 16 |
| Operating Fee | 915.94 | 1,007.51 | 91.57 | 10.0% | 16,189,863 | 1,195 |

| | | | | | | |
|----------------------------|---------------|---------------|--------------|-------------|-------------------|--------------|
| Total Net Operating | 892.39 | 980.74 | 88.35 | 9.9% | 15,759,716 | 1,195 |
|----------------------------|---------------|---------------|--------------|-------------|-------------------|--------------|

| | | | | | | |
|----------------------------------|-----------------|-----------------|---------------|--------------|-------------------|--------------|
| Reserve Fee ³ | 383.09 | 583.08 | 199.99 | 52.2% | 9,369,866 | 937 |
| Operating And Reserve Fee | 1,299.03 | 1,590.59 | 291.56 | 22.4% | 25,559,729 | 2,132 |

| Estimated Property Tax¹ | | | | | | |
|--|--------|--------|---------|--------|-------------------|--------------|
| GOLD (WEEKS 18 - 21,35 - 50) | 151.83 | 140.58 | (11.25) | (7.4%) | 855,289 | - |
| PLATINUM (WEEKS 1 - 17,22 - 34,51) | 181.22 | 167.79 | (13.43) | (7.4%) | 1,622,865 | - |
| PLATINUM PLUS (WEEKS 52) | 181.22 | 167.79 | (13.43) | (7.4%) | 52,350 | - |
| Total Maintenance Fee Plus Property Tax | | | | | 28,090,233 | 2,132 |

| | | | | | | |
|--|-------|-------|------|------|-------|-------|
| International Owner's Surcharge ² | 34.50 | 34.50 | 0.00 | 0.0% | ----- | ----- |
|--|-------|-------|------|------|-------|-------|

HAO CONDOMINIUM ASSOCIATION, INC.
2020 Estimated Operating Budget Notes
For The Period Beginning January 1, 2020 And Ending December 31, 2020

Notes to the 2020 Estimated Operating Budget

1) Florida Law requires the Managing Entity hired by the Association to collect ad valorem taxes assessed by the Orange 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.

| Estimated 2020 Ad Valorem Taxes | AVERAGE |
|--|----------------|
| GOLD (WEEKS 18 - 21,35 - 50) | \$140.58 |
| PLATINUM (WEEKS 1 - 17,22 - 34,51) | \$167.79 |
| PLATINUM PLUS (WEEKS 52) | \$167.79 |

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

3) 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 HAO units.

| Components | Estimated Useful Life In Yrs | Estimated Replacement Cost | Estimated Remaining Useful Years | Anticipated Beginning Fund Balance As Of January 1, 2020 | Contribution For 2020 |
|-------------------------------|-------------------------------------|-----------------------------------|---|---|------------------------------|
| Roof Replacement | 25 | \$3,838,027 | 9 | \$905,265 | \$307,902 |
| Furniture and Fixtures | 15 | \$37,492,220 | 7 | (\$517,381) | \$6,067,074 |
| Building Painting | 10 | \$1,587,216 | 4 | \$553,396 | \$244,210 |
| External Building Maintenance | 20 | \$11,773,802 | 14 | \$947,935 | \$730,656 |
| Pavement Resurfacing | 20 | \$1,022,652 | 3 | \$458,606 | \$177,653 |
| Common Area Rehabilitation | 20 | \$8,673,300 | 4 | \$873,947 | \$1,842,371 |
| TOTAL | | \$64,387,217 | | \$3,221,768 | \$9,369,866 |

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

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 2020, 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 2018 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 to MVWC at December 31, 2018 and 2017 was \$113,964 and \$59,657, respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of maintenance fees receivable due from MRHC at December 31, 2018 and 2017 was \$1,060,393 and \$422,494, respectively.