

September 19, 2018

Dear Marriott's Crystal Shores Owner:

A regular meeting of the Board of Directors of Crystal Shores Condominium Association, Inc. will be held on October 4, 2018, at 8:30 a.m., Eastern Time, at Marriott's Crystal Shores, Gulf Shore Room, 600 South Collier Boulevard, Marco Island, Florida 34145. At this meeting, the Board will consider the Association's budget and approve resulting assessments for the 2019 fiscal year.

Please see [attached](#) for complete meeting details.

If you have any questions or would like any additional information, please contact Pam Cooper, Senior Administrative Assistant, by telephone at 239-393-6760 or by email at [pam.cooper@vacationclub.com](mailto:pam.cooper@vacationclub.com).

Sincerely,

*William Love*

Secretary/Treasurer

Crystal Shores Condominium Association, Inc.

September 19, 2018

Dear Marriott's Crystal Shores Owner:

A regular meeting of the Board of Directors of Crystal Shores Condominium Association, Inc. will be held on October 4, 2018, at 8:30 a.m., Eastern Time, at Marriott's Crystal Shores, Gulf Shore Room, 600 South Collier Boulevard, Marco Island, Florida 34145. At this meeting, the Board will consider the Association's budget and approve resulting assessments for the 2019 fiscal year.

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 2019 Operating Expenses. Second, the fee also includes a separate reserve component to provide funding for future capital expenditures and deferred maintenance. The third component is the applicable property taxes on your deeded property interest. This amount is not equal for all Owners due to the "seasonality" valuation (*i.e.*, Silver, Gold, Platinum and Platinum Plus). As a result, the total percentage increase or decrease for 2019 property taxes will vary accordingly.

A comparison of the average proposed Maintenance Fee by unit type for 2019 is provided below, and includes the operating, reserves, and property tax portions. Additional detail regarding the proposed Maintenance Fee by season is provided within the enclosed proposed 2019 budget.

	Marriott's Crystal Shores: Maintenance Fee Comparison by Unit Type (per timeshare interest)								
	2019 (Proposed)			2018 (Approved)			Variance inc/(dec)		
	2 Bedroom	3 Bedroom	Penthouse	2 Bedroom	3 Bedroom	Penthouse	2 Bedroom	3 Bedroom	Penthouse
Gold	2,037.48	2,772.48	2,957.97	1,817.80	2,471.50	2,644.89	12.1%	12.2%	11.8%
Platinum	2,097.45	2,859.27	3,058.19	1,875.36	2,554.18	2,740.18	11.8%	11.9%	11.6%
Platinum Plus	2,112.80	2,881.48	3,081.78	1,890.08	2,575.31	2,762.61	11.8%	11.9%	11.6%
Silver	2,008.10	2,729.79	2,910.15	1,789.64	2,431.06	2,599.87	12.2%	12.3%	11.9%

There is a proposed increase from 2018 in the average Operating Expenses of \$29.12 or 2.1% per unit week. Additionally, there is an assumed increase in the property tax fees for all seasons of nearly 5% due to the new units that were brought into the Condominium that will be valued as developed property by Collier County in 2019 as opposed to undeveloped, which is how they will be treated in 2018.

The 'Disaster Recovery' portion of the Maintenance Fee has been removed for 2019. An 'Operating Capital' amount of an average of \$35.51 per unit week has been added to the budget for 2019 in order to establish a fund balance in the Operating fund.

In 2019, the proposed reserve funding increase is \$205.99 or 52.4% per unit week over 2018, as a result of the full funding of the reserves (as outlined in the recently mailed Limited Proxy). Should the members of the Association vote to approve a waiver or reduction of reserves at the upcoming Annual Meeting, the total budgeted reserves would be reduced according to the results of the vote. 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 to reserve contributions versus projected expenditures for the Association.

Finally, the management company has prepared a proposed Condominium Common Expense schedule, which is included with the enclosed budget, to indicate the allocation of Condominium Common Expenses to the different unit types in the Condominium.

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 10:45 a.m. to 11:00 a.m., Eastern Time.**

If you have any questions or would like any additional information, please contact Pam Cooper, Senior Administrative Assistant, by telephone at 239-393-6760 or by email at [pam.cooper@vacationclub.com](mailto:pam.cooper@vacationclub.com).

Sincerely,

*William Love*

Secretary/Treasurer

Crystal Shores Condominium Association, Inc.

**Crystal Shores Condominium Association, Inc.  
Board of Directors Meeting**

October 4, 2018 at 8:30 a.m., Eastern Time

Marriott's Crystal Shores  
Gulf Shore Room  
600 South Collier Boulevard  
Marco Island, Florida 34145

**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 Board of Directors Meeting Minutes
- Resort Operations Report
  - Action Items Update
  - Developer Update
- Financial Report
  - Investment Update
  - Hurricane Impact Update
  - 2018 Year-to-date Financials and Forecast
  - 2018 Reserves Update
  - 2019 Reserves Funding Discussion
  - Accounts Receivables
  - Proposed 2019 Budget
  - **(Open Budget Discussion with Owners 10:45 a.m. – 11:00 a.m.)**
  - Approval of 2019 Budget
- New Business
  - Announcement of 2019 Board and Annual Meeting Dates
- Adjournment

**CRYSTAL SHORES CONDOMINIUM ASSOCIATION, INC.**

**2019 Estimated Common Expense Budget**

For the Period Beginning January 1, 2019 and Ending December 31, 2019

**PHASES 1 & 2 (127 Timeshare Units - 6,532 Unit Weeks, 92 Residential Units, 4 Commercial Units)**

	2019 Proposed Budget Total	2019 Timeshare Unit Budget by Bedroom Type			2019 Residential Unit Budget by Bedroom Type		COMMERCIAL UNIT (4) (ANNUAL)	Quarterly Billing for Residential Units <sup>7</sup>	
		2 Bedroom 5,761 (PER UNIT WEEK)	3 Bedroom 668 (PER UNIT WEEK)	PENTHOUSE 103 (PER UNIT WEEK)	2 Bedroom 73 (PER UNIT)	3 Bedroom 19 (PER UNIT)		2 Bedroom 73 (PER UNIT)	3 Bedroom 19 (PER UNIT)
	\$								
<b>REVENUE</b>									
Assessments - Residential	3,074,979				31,164.21	42,104.84		7,791.05	10,526.21
Assessments - Commercial	721						721		
Gold (Weeks 18 - 33, 44 - 50)	6,213,448	2,037.48	2,772.48	2,957.97					
Platinum (Weeks 1 - 6, 8 - 17)	4,451,124	2,097.45	2,859.27	3,058.19					
Platinum Plus (Weeks 7, 51 - 52)	840,751	2,112.80	2,881.48	3,081.78					
Silver (Weeks 34 - 43)	2,511,156	2,008.10	2,729.79	2,910.15					
Bank/Investment Interest	34,850	5.11	6.94	7.41					
Late Fees	2,397	0.35	0.48	0.51					
Maintenance Fee Interest Income	5,609	0.82	1.12	1.19					
<b>TOTAL MAINTENANCE FEE REVENUE</b>	<b>17,135,035</b>						<b>721</b>		

<b>EXPENSES</b>									
Accounting	0	0	0	0					
Activities	357,631	52.46	71.21	76.02					
Administration	0	0	0	0					
Audit Fee	0	0	0	0					
Bad Debt Expense	0	0	0	0					
Billing and Collections	0	0	0	0					
Board of Directors	0	0	0	0					
Cable Television	0	0	0	0					
Condominium Common Expenses <sup>1</sup>	6,871,926	604.85	821.03	876.52	27,850.42	37,627.69	643	6,962.60	9,406.92
Division of Timeshare	13,090	1.92	2.61	2.78					
Electricity	71,607	10.50	14.26	15.22					
Front Desk	839,751	123.18	167.21	178.51					
Housekeeping <sup>2</sup>	1,826,792	267.98	363.75	388.34					
Human Resources	143,306	21.02	28.54	30.46					
Insurance	45,903	6.73	9.14	9.76					
Maintenance	703,807	103.24	140.14	149.61					
Management Fee	858,349	125.91	170.92	182.47					
Owner Services <sup>3</sup>	293,580	43.07	58.46	62.41					
Operating Capital	0	0	0	0					
Other Expenses	0	0	0	0					
Pest Control	4,697	0.69	0.94	1.00					
Refuse Collection	38,042	5.58	7.57	8.09					
Rent for Recreation	0	0	0	0					
Taxes Upon Association Property	0	0	0	0					
Taxes Upon Leased Areas	0	0	0	0					
Telephone	18,621	2.73	3.71	3.96					
Water & Sewer	166,502	24.42	33.15	35.39					
<b>Operating Fee</b>	<b>12,253,605</b>	<b>1,394.30</b>	<b>1,892.64</b>	<b>2,020.54</b>	<b>27,850.42</b>	<b>37,627.69</b>	<b>643</b>	<b>6,962.60</b>	<b>9,406.92</b>

<b>Total Net Operating</b>	<b>12,210,749</b>	<b>1,388.01</b>	<b>1,884.10</b>	<b>2,011.43</b>	<b>27,850.42</b>	<b>37,627.69</b>	<b>643</b>	<b>6,962.60</b>	<b>9,406.92</b>
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Reserve Fee - Timeshare <sup>4</sup>	3,461,389	507.76	689.24	735.81					
Reserve Fee - Common <sup>4</sup>	778,416	66.21	89.88	95.95	3,313.80	4,477.15	78	828.45	1,119.29
<b>Operating and Reserves Fee</b>	<b>16,493,410</b>	<b>1,968.27</b>	<b>2,671.76</b>	<b>2,852.30</b>	<b>31,164.21</b>	<b>42,104.84</b>	<b>721</b>	<b>7,791.05</b>	<b>10,526.21</b>

<b>Estimated Property Tax<sup>5</sup></b>									
Gold (Weeks 18 - 33, 44 - 50)	232,439	75.50	109.27	114.77	0	0	0	0	0
Platinum (Weeks 1 - 6, 8 - 17)	290,422	135.47	196.06	214.99	0	0	0	0	0
Platinum Plus (Weeks 7, 51 - 52)	60,620	150.82	218.27	238.58	0	0	0	0	0
Silver (Weeks 34 - 43)	58,144	46.12	66.58	66.95	0	0	0	0	0
<b>TOTAL MAINTENANCE FEE EXPENSE</b>	<b>17,135,035</b>				<b>31,164.21</b>	<b>42,104.84</b>	<b>721</b>	<b>7,791.05</b>	<b>10,526.21</b>

International Owners Surcharge <sup>6</sup>	---	34.50	34.50	34.50	0	0	0	0	0
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CRYSTAL SHORES CONDOMINIUM ASSOCIATION, INC.  
2019 Estimated Condominium Common Expense Budget  
For the Period Beginning January 1, 2019 and Ending December 31, 2019  
PHASES 1 & 2 (127 Timeshare Units - 6,532 Unit Weeks, 92 Residential Units, 4 Commercial Units)

	Annual total	Timeshare (Annual)	Residential (Annual)	Commercial (Annual)
<b>Revenues</b>				
Assessments	\$ 7,650,342	\$ 4,574,642	\$ 3,074,979	\$ 721
<b>Total Revenue</b>	<b>\$ 7,650,342</b>	<b>\$ 4,574,642</b>	<b>\$ 3,074,979</b>	<b>\$ 721</b>
<b>Expenses</b>				
Accounting	\$ 322,811	\$ 199,599	\$ 123,179	\$ 32
Administration	836,031	512,931	323,016	84
Audit Fee	13,488	7,821	5,666	1
Bad Debt Expense	45,000	44,996	0	5
Billing and Collections	86,001	85,993	0	9
Board of Directors	15,325	8,886	6,437	2
Cable Television	71,000	41,169	29,824	7
Credit Card Fee	52,032	52,027	0	5
Electricity	493,920	286,400	207,471	49
Gas	85,187	49,395	35,783	9
High Speed Internet	48,796	28,294	20,497	5
Housekeeping	787,534	456,652	330,803	79
Human Resources	82,373	47,764	34,601	8
Income Tax	71,769	41,615	30,146	7
Insurance	703,464	407,904	295,490	70
Landscape/Grounds	214,907	124,614	90,271	21
Loss Prevention	916,068	531,183	384,794	92
Maintenance	520,137	301,602	218,483	52
Management Fee	695,486	415,877	279,544	66
Operating Capital	400,000	231,963	168,037	0
Other Expenses	0	0	0	0
Pest Control	32,400	18,787	13,610	3
Pool Maintenance	269,770	156,427	113,317	27
Postage and Printing	20,249	20,247	0	2
Refuse Collection	16,400	9,510	6,889	2
Rent for Recreation	0	0	0	0
Taxes Upon Association Property	0	0	0	0
Taxes Upon Leased Areas	0	0	0	0
Water & Sewer	71,780	41,621	30,151	7
<b>Total Expenses</b>	<b>\$ 6,871,926</b>	<b>\$ 4,123,277</b>	<b>\$ 2,748,006</b>	<b>\$ 643</b>
Total Reserves	\$ 778,416	\$ 451,365	\$ 326,973	\$ 78
<b>Total Expenses for Operating and Reserves</b>	<b>\$ 7,650,342</b>	<b>\$ 4,574,642</b>	<b>\$ 3,074,979</b>	<b>\$ 721</b>

CRYSTAL SHORES CONDOMINIUM ASSOCIATION, INC.  
2019 Estimated Operating Budget Notes  
PHASES 1 & 2 (127 Timeshare Units - 6,532 Unit Weeks, 92 Residential Units, 4 Commercial Units)  
For The Period Beginning January 1, 2019 And Ending December 31, 2019

Notes to the 2019 Estimated Operating Budget

1) This line item reflects the Condominium Common Expenses allocated to Timeshare Units and Commercial Units, as reflected in the attached 2019 Estimated Condominium Common Expense Budget.

2) 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.

3) 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.

4) 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 January 1, 2019	Contribution For 2019
Roof Replacement	17	\$974,885	11	\$208,442	\$69,677
Furniture and Fixtures	15	\$26,609,090	9	\$3,038,704	\$2,618,932
Building Painting	10	\$1,875,495	6	\$266,917	\$268,096
External Building Maintenance	19	\$6,197,151	11	\$912,473	\$480,425
Pavement Resurfacing	19	\$296,526	16	\$58,715	\$14,863
Common Area Rehabilitation	15	\$7,691,347	9	\$601,042	\$787,812
<b>TOTAL</b>		<b>\$43,644,494</b>		<b>\$5,086,293</b>	<b>\$4,239,805</b>

5) Florida Law requires the Managing Entity hired by the Association to collect Ad Valorem Taxes assessed by the Collier 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.

Ad Valorem Taxes are assessed directly to the Residential and Commercial unit owners by the Collier County Property Appraiser's Office.

Estimated 2019 Ad Valorem Taxes	AVERAGE	2 BEDROOM	3 BEDROOM	PENTHOUSE
GOLD (WEEKS 18 - 33,44 - 50)	\$79.58	\$75.50	\$109.27	\$114.77
PLATINUM (WEEKS 1 - 6,8 - 17)	\$142.92	\$135.47	\$196.06	\$214.99
PLATINUM PLUS (WEEKS 7,51 - 52)	\$159.11	\$150.82	\$218.27	\$238.58
SILVER (WEEKS 34 - 43)	\$48.53	\$46.12	\$66.58	\$66.95

6) 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.

7) Residential Units will be billed quarterly and Timeshare Units will be billed annually as permitted by the Bylaws.

Notes from 2017 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. The amount due to MRHC as of December 31, 2017 and December 30, 2016 was \$7,164 and \$0, respectively. 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 as of December 31, 2017 and December 30, 2016 was \$145,002 and \$688,125, respectively.

MRHC collects annual maintenance fees on behalf of the Association. The amount of maintenance fees receivable due from MRHC at December 31, 2017 and December 30, 2016 was \$152,139 and \$68,674, respectively.

Effective May 4, 2010, the Association entered into a Foreclosed Inventory Purchase Agreement with Marriott Ownership Resorts, Inc. ("MORI"). Effective December 31, 2017, the original Foreclosed Inventory Purchase Agreement was terminated.

Effective January 1, 2018, the Association entered into a new Foreclosed Inventory Purchase Agreement with MORI. The agreements automatically renew for any number of additional one (1) year terms, unless either party terminates the agreement with a 45 day written notice. The agreements provide that MORI shall purchase the Association's foreclosed inventory subject to the terms of the agreements. Should either party terminate the agreement, there could be potential exposure regarding the allowance for doubtful accounts and bad debt expense.

As of May 24, 2018, the new agreement is in full effect and neither party has opted to terminate the agreement.

Capitalized terms not defined in these footnotes have the meaning given to them in the Declaration of Condominium for Crystal Shores Condominium.