

April 30, 2018

Dear Marriott's Newport Coast® Villas Owner,

Attached, please find the 2017 Audit Report Summaries for Newport Coast Villas Master Association, Newport Coast Villas Condominium Association and Newport Coast Villas Timeshare Association. These reports are being provided as outlined in Newport Coast Villas Master Declaration of Covenants Conditions and Restrictions (CC&R's), Article III, 3.4 Duties of the Master Association (b) Budget and Annual Report (2) and Master Declaration of CC&R's, Article I, Definitions, 1.3 Annual Report; Newport Coast Villas Timeshare Association Bylaws, Exhibit B, Management Agreement, Article III, Services of Managing Agent, 3.6 Financial Services, (b) Financial Statements; and Newport Coast Villas Condominium Association Declaration of CC&Rs, Article VI Management, 6.2 Specific Powers and Duties of the Condominium Association, (b) Budget and Annual Report (1). **The complete Annual Reports are available at the business office of the Timeshare Association and copies will be provided upon an Owner's request at the expense of the Timeshare Association.**

If you would like to request a copy of the full Audit please contact Lisa Romero, Executive Assistant, by phone at (949) 464-6002 or by email at lisa.romero@vacationclub.com.

Financial questions should be directed to Jennifer Kammerer, Director of Finance, at jennifer.kammerer@vacationclub.com.

Of course, I remain available to answer any questions that you prefer to direct to my attention at james.marks@vacationclub.com.

Sincerely,

James Marks

General Manager

Marriott's Newport Coast Villas

Newport Coast Master Association
Summary Report on Audit of Financial Statements
Fiscal Years Ended December 31, 2017 and December 30, 2016

| Balance Sheet | | | | |
|--|---------------------|---------------------|-----------------------|-----------------------|
| | <u>Operating</u> | <u>Reserves</u> | <u>2017 Total</u> | <u>2016 Total</u> |
| Assets: | | | | |
| Cash and Investments | \$ 1,872,926 | \$ 5,853,802 | \$ 7,726,728 | \$ 6,485,756 |
| Other Assets | 249,016 | 136,836 | 385,852 | 408,280 |
| Total Assets | <u>\$ 2,121,942</u> | <u>\$ 5,990,638</u> | <u>\$ 8,112,580</u> | <u>\$ 6,894,036</u> |
| Liabilities and Fund Balances: | | | | |
| Accrued Expenses | \$ 63,144 | \$ - | \$ 63,144 | \$ 52,929 |
| Other Liabilities | 1,902,781 | 1,301,183 | 3,203,964 | 3,030,555 |
| Fund Balances | 156,017 | 4,689,455 | 4,845,472 | 3,810,552 |
| Total Liabilities and Fund Balances | <u>\$ 2,121,942</u> | <u>\$ 5,990,638</u> | <u>\$ 8,112,580</u> | <u>\$ 6,894,036</u> |

| Operating Fund - Income Statement | | | |
|---|-----------------------|-----------------------|--|
| | <u>2017 Total</u> | <u>2016 Total</u> | |
| Total Revenues | \$ 3,202,293 | \$ 3,394,680 | |
| Total Expenses | <u>(3,172,637)</u> | <u>(3,070,821)</u> | |
| Excess (Deficit) of Revenues over Expenses | 29,656 | 323,859 | |
| Fund Balance - Beginning of Year | <u>126,361</u> | <u>(197,498)</u> | |
| Fund Balance - End of Year | <u>\$ 156,017</u> | <u>\$ 126,361</u> | |

| Reserve Fund - Income Statement | | | |
|---|-----------------------|-----------------------|--|
| | <u>2017 Total</u> | <u>2016 Total</u> | |
| Total Revenues | \$ 2,265,297 | \$ 2,130,242 | |
| Total Expenses | <u>(1,260,033)</u> | <u>(1,145,805)</u> | |
| Excess (Deficit) of Revenues over Expenses | 1,005,264 | 984,437 | |
| Fund Balance - Beginning of Year | <u>3,684,191</u> | <u>2,699,754</u> | |
| Fund Balance - End of Year | <u>\$ 4,689,455</u> | <u>\$ 3,684,191</u> | |

For a complete copy of the audited financial statements, please contact the Director of Finance, Jennifer Kammerer, at Jennifer.Kammerer@vacationclub.com. Newport Coast Master Association financial statements were audited by PriceWaterhouseCoopers LLP.

Newport Coast Condominium Association
Summary Report on Audit of Financial Statements
Fiscal Years Ended December 31, 2017 and December 30, 2016

| Balance Sheet | | | | |
|--|---------------------|----------------------|-----------------------|-----------------------|
| | Operating | Reserves | 2017 Total | 2016 Total |
| Assets: | | | | |
| Cash and Investments | \$ 2,581,841 | \$ 10,910,289 | \$ 13,492,130 | \$ 12,288,831 |
| Other Assets | 696,198 | 111,253 | 807,451 | 844,438 |
| Total Assets | \$ 3,278,039 | \$ 11,021,542 | \$ 14,299,581 | \$ 13,133,269 |
| Liabilities and Fund Balances: | | | | |
| Accrued Expenses | \$ 78,027 | \$ 13,026 | \$ 91,053 | \$ 71,884 |
| Other Liabilities | 2,652,204 | 1,375,252 | \$ 4,027,456 | \$ 4,210,291 |
| Fund Balances | 547,808 | 9,633,264 | 10,181,072 | 8,851,094 |
| Total Liabilities and Fund Balances | \$ 3,278,039 | \$ 11,021,542 | \$ 14,299,581 | \$ 13,133,269 |

| Operating Fund - Income Statement | | | |
|---|-----------------------|-----------------------|--|
| | 2017 Total | 2016 Total | |
| Total Revenues | \$ 4,980,092 | \$ 4,820,569 | |
| Total Expenses | (4,840,679) | (4,697,685) | |
| Excess (Deficit) of Revenues over Expenses | 139,413 | 122,884 | |
| Fund Balance - Beginning of Year | 408,395 | 285,511 | |
| Fund Balance - End of Year | \$ 547,808 | \$ 408,395 | |

| Reserve Fund - Income Statement | | | |
|---|-----------------------|-----------------------|--|
| | 2017 Total | 2016 Total | |
| Total Revenues | \$ 3,122,716 | \$ 2,785,924 | |
| Total Expenses | (1,932,151) | (2,073,137) | |
| Excess (Deficit) of Revenues over Expenses | 1,190,565 | 712,787 | |
| Fund Balance - Beginning of Year | 8,442,699 | 7,729,912 | |
| Fund Balance - End of Year | \$ 9,633,264 | \$ 8,442,699 | |

For a complete copy of the audited financial statements, please contact the Director of Finance, Jennifer Kammerer, at Jennifer.Kammerer@vacationclub.com. Newport Coast Condominium Association financial statements were audited by PriceWaterhouseCoopers LLP.

Newport Coast Timeshare Association
Summary Report on Audit of Financial Statements
Fiscal Years Ended December 31, 2017 and December 30, 2016

| Balance Sheet | | | | |
|--|----------------------|----------------------|-----------------------|-----------------------|
| | Operating | Reserves | 2017 Total | 2016 Total |
| Assets: | | | | |
| Cash and Investments | \$ 13,397,529 | \$ 22,351,871 | \$ 35,749,400 | \$ 34,978,643 |
| Other Assets | 1,644,840 | 678,507 | 2,323,347 | 2,091,109 |
| Total Assets | \$ 15,042,369 | \$ 23,030,378 | \$ 38,072,747 | \$ 37,069,752 |
| Liabilities and Fund Balances: | | | | |
| Accrued Expenses | \$ 387,190 | \$ 207 | \$ 387,397 | \$ 314,485 |
| Other Liabilities | 13,465,449 | 6,255,403 | \$ 19,720,852 | \$ 17,503,968 |
| Fund Balances | 1,189,730 | 16,774,768 | 17,964,498 | 19,251,299 |
| Total Liabilities and Fund Balances | \$ 15,042,369 | \$ 23,030,378 | \$ 38,072,747 | \$ 37,069,752 |

| Operating Fund - Income Statement | | | |
|---|-----------------------|-----------------------|--|
| | 2017 Total | 2016 Total | |
| Total Revenues | \$ 21,843,438 | \$ 20,068,789 | |
| Total Expenses | (22,349,826) | (20,212,285) | |
| Excess (Deficit) of Revenues over Expenses | (506,388) | (143,496) | |
| Fund Balance - Beginning of Year | 1,696,118 | 1,839,614 | |
| Fund Balance - End of Year | \$ 1,189,730 | \$ 1,696,118 | |

| Reserve Fund - Income Statement | | | |
|---|-----------------------|-----------------------|--|
| | 2017 Total | 2016 Total | |
| Total Revenues | \$ 9,535,545 | \$ 8,862,177 | |
| Total Expenses | (10,315,958) | (9,226,361) | |
| Excess (Deficit) of Revenues over Expenses | (780,413) | (364,184) | |
| Fund Balance - Beginning of Year | 17,555,181 | 17,919,365 | |
| Fund Balance - End of Year | \$ 16,774,768 | \$ 17,555,181 | |

For a complete copy of the audited financial statements, please contact the Director of Finance, Jennifer Kammerer, at Jennifer.Kammerer@vacationclub.com. Newport Coast Timeshare Association financial statements were audited by PriceWaterhouseCoopers LLP.