

December 4, 2018

Dear Marriott's Frenchman's Cove Owner:

It's my pleasure to introduce you to the [December 2018 Newsletter](#) from your Board of Directors.

Best regards,

Scott Derrickson

General Manager

Marriott's Frenchman's Cove

FRENCHMAN'S COVE BOARD'S WEBCAM



A QUICK GLANCE AT WHAT IS HAPPENING AT FRENCHMAN'S COVE

Refurbishment Project News

The scheduled refurbishment project (delayed a year from 2018 to expedite a timely reopening after the hurricanes) has already started and will continue through 2019.

Things you will notice already in place:

- Wonderful new bedding from the base to the top – Good comments have been received from the team.
- All new dishwashers in a gray slate “non-smudge finish”.
- Queen sleeper sofas which allow overnight guests the luxury of not having a structural support bar in their back.
- The Board is very excited for the new Caribbean look that you will see when everything is painted, carpeted, and all furniture is updated! Stay tuned!

[Adventure Center](#)

The Adventure Center is currently located at the Cove by the main pool elevator on pool level.

They run daily shuttles to downtown Charlotte Amalie, offer on-site paddle boarding lessons and rentals, night kayaking off the Cove dock, and the “CAT” is offering sunset sails and day sails from the Cove dock.

Check out their website below to discover the great adventures you can plan at your leisure while lounging by the infinity pool.

<http://www.adventurecenters.net/>

Housekeeping Options

A regular week, (destination points or ownership week) includes 1 mid-week tidy at no additional cost. Optional tidy services are available for purchase.

Tidy Service

Kitchen

Empty coffee and used grounds
Place coffee carafe and drip cup in dishwasher
Place all dirty dishes in dishwasher and start cycle
Wipe down countertops
Empty trash
Replenish all kitchen amenities
Replace soiled kitchen linens
Sweep floor if needed

Living and Dining Rooms

Remake sofa bed with existing linens if necessary
Wipe down dining room table and chairs
Straighten furniture and items
Replace pen and notepad if necessary
Vacuum if needed

Bedrooms

Remake beds with existing linens
Vacuum if needed

Bathrooms

Wipe down countertops
Replace used amenities
Clean toilet and shower if needed
Empty trash
Sweep if needed

6th Night Rental Linen Change

Remake beds with clean linens

Rentals through Marriott include a daily tidy and the fee for that is included in the nightly charges and the money is passed to the Cove to offset the additional housekeeping expense.

Nightly Tax Update

The American Resort Development Association (ARDA) received good news on their fight against the \$25.00 per night room tax. A judge struck down the Government's request to dismiss the lawsuit against the tax!
Keep up the good fight ARDA!



Island Updates

Frenchman's Reef is well into demolition work that is necessary prior to rebuilding. Noise at the Cove is minimal. It is still unknown whether it will reopen as a "Marriott", but the reciprocity Cove guests have enjoyed over the years will most likely continue, due to the revenue Cove guests bring to the Reef's bars and restaurants. The Reef and Morningstar are slated to reopen between January and March of 2020.

Many of your favorite restaurants are back up and running and most of the beaches and shops are open again for your enjoyment. Islanders are excited that tourism traffic is picking up. Take the time to shop, eat, drink, relax, and listen to their amazing stories of survival. We do caution that the infrastructure (roads and traffic lights) of the island is still "rough" and to be cautious driving on the island.

MAINTENANCE FEES

The attached letter dated October 5, 2018 explains the maintenance fees, how the reserves are calculated, and the renovation plans. The Board does our best to be transparent. We appreciate your trust in letting us drill down on expenses we believe can be cut, lowered, or deferred.

The October 5 letter can be viewed on the Owner's website under Education & Owner Resources > Owners Association at the "December 2018 Newsletter").

FINAL THOUGHTS...

We hope you enjoyed this brief newsletter. It is our intention to continue to update you with information about the Cove and introduce you to the associates. Do you have an idea for something we should cover in this newsletter? Email your suggestion to: CoveBODNews@gmail.com

ASSOCIATE HIGHLIGHT



Each newsletter we will feature a member of your Cove Family. This month, we have chosen Marvin Ottley, our friendly neighborhood beach guy!

Marvin is a local of the Virgin Islands, born and raised on sunny St. Thomas.

Marvin has been with the Cove since April of 2010 and takes extreme pride in grooming the Cove's shore.

Rain or shine, he takes the time to not only ensure that your beach is as pristine as possible, but to engage and create memorable experiences for us as owners and guests.

Next time you visit your home away from home, stop by to say hi to our favorite beach guy!

October 5, 2018

Dear Marriott's Frenchman's Cove Owner:

Your 2019 Maintenance Fee statement is enclosed. This note provides background information on the 2019 Budget, the impact of Hurricanes Irma and Maria, and your maintenance fee. Your Frenchman's Cove team has worked incredibly hard to recover from both Hurricanes. The Board of Directors and the Resort Management Team are working together to address hurricane cost issues and to offset the rising cost of normal operations. Our goal is to maintain and improve Frenchman's Cove while protecting the unique vacation that you have come to expect. The 2019 Maintenance Fee is divided into two categories, the Operating Fee and the Reserves Funding Fee.

In September 2018, the Board approved the revised scope and budget for the 2019 refurbishment project that is currently scheduled to begin on August 3, 2019. The Board also approved a number of other enhancing projects funded by the Reserves to add value to our Owners' and guests' stays at Frenchman's Cove. Total of all expenditures, including renovation costs, is \$10,286,100.

With the villa refurbishment deferred from 2018 to 2019, the current air conditioning units were at the end of their useful life cycle. After a review by a third-party engineering firm, the Board has chosen to move forward with Variable Refrigerant Fluor (VRF) type units for in-villa comfort. Not only do these units significantly reduce the in-villa operating sound over the current units, but also feature energy efficient qualities that lower the average electrical consumption by approximately 20%, a potential savings in excess of \$200,000 annually in energy costs. In addition, through the great feedback we have received from our Owners and guests, we are undertaking an enhancement of our property WI-FI system that will increase speed and coverage—especially at the pool area—and cabanas will be added on the third-level pool deck. Combined, these two initiatives should positively add to the overall guest experience in that area.

Key elements of the 2019 Reserve expenditure projects approved by the Board of Directors:

- Villa and Lobby renovation: \$7,889,000
- Replacement of in-villa air conditioning system with energy efficient VRF units: \$1,725,000
- Property-wide WI-FI enhancement: \$275,000
- Addition of cabanas on the third level of the pool deck: \$80,000

We would like to recognize and thank the Frenchman's Cove Team for assisting us in continued improvement of the overall experience through targeted projects that can be enjoyed by our Owners and guests. We also look forward to next year's 10-year refurbishment to maintain a fresh and comfortable product for all to enjoy.

Despite the past challenges, actual operating expenses for the resort have been relatively stable since 2013 as reflected in the chart below.

Year	Operating Spend	Variance to Prior Year	Comments
2013 actual	\$12,636,083	n/a	
2014 actual	\$12,555,665	-0.6%	Electrical rates reduced, 10/2014
2015 actual	\$11,976,436	-4.6%	First full year that electrical rates reduced from historically high levels
2016 actual	\$12,175,997	1.7%	
2017 forecast	\$12,841,029	5.5%	Forecasted amount from 8/2018; prior to the effects of Hurricanes Irma and Maria
2018 budget	\$13,247,032	3.2%	Per approved budget, less Disaster Recovery amount
2019 budget	\$13,951,079	5.3%	Per approved budget, 9/25/2018

In summary, the difference in the Operating Fees for the resort from 2013 through 2019 are equivalent to annual increases of just less than 1.7%, which remains at or under the overall cost of inflation.

2019 Maintenance Fee

At the recent Board of Directors meeting held on September 25, 2018 in St. Thomas USVI, your Board unanimously approved the 2019 Maintenance Fee appearing below. The total insurance deductible for the resort in 2018 was 3%, equal to more than \$3 Million for Named Windstorms. In 2018, it was added to the Maintenance Fee as a Disaster Recovery line. Expenses incurred over and above the insurance deductible amount should be covered by our insurance company through the property damage claim process.

As of January 1, 2018, the deductible has increased to a market value rate of 5%. This rate is equal to the deductible rate for many other properties similar to The Cove. Since this is an amount that needs to be covered by Owners, the Board is taking an active role to safeguard funds in support of that deductible.

	2019		2018		Variance	
	2 Bedroom	3 Bedroom	2 Bedroom	3 Bedroom	2 Bedroom	3 Bedroom
Operating	\$1,720.26	\$2,002.16	\$1,630.78	\$1,898.00	\$89.48	\$104.16
Disaster Recovery	\$0	\$0	\$407.08	\$473.79	(\$407.08)	(\$473.79)
Reserves	\$426.96	\$496.93	\$402.79	\$468.80	\$24.17	\$28.13
Net Owner's Maintenance Fee	\$2,147.22	\$2,499.09	\$2,440.65	\$2,840.59	(\$293.43)	(341.50)

Your Board of Directors and Management Team hold in high regard the shared fiduciary responsibility to protect the assets of our Owners. The importance of balancing short-term costs and long-term cash flow needs while delivering unforgettable vacation experiences to Owners and guests is clearly understood by your Board of Directors and Management Team. Through a balanced approach, we know we can continue to maintain Marriott's Frenchman's Cove as a highly desired destination and thereby protect the value of the assets.

In closing, your Board of Directors thanks you in advance for your continued prompt payment of your annual maintenance fee which allows the Association to best manage its cash flow.

Warm regards,

Bill Whelihan *Steven Rakers* *Richard J. Milligan* *Kimberly A. Stonecipher-Fisher* *Joanne Morris*
President Vice-President Secretary/Treasurer Director Director

Frenchman's Cove Condominium Owners' Association, Inc.

FRENCHMAN'S COVE CONDOMINIUM OWNERS' ASSOCIATION, INC.

2019 Estimated Operating Budget

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

	2018 BUDGETED EXPENSES 8,034 UNIT WEEKS (PER UNIT WEEK)	2019 APPROVED BUDGET 8,034 UNIT WEEKS (PER UNIT WEEK)	2018 BUDGET VS 2019 BUDGET INCREASE/(DECREASE)		2019 APPROVED BUDGET TOTAL \$	2019 BUDGET BY VILLA TYPE								
			\$	%		2 BEDROOM (A) 7,571 UNIT WEEKS (PER UNIT WEEK)	3 BEDROOM 463 UNIT WEEKS (PER UNIT WEEK)	Time Share	Commercial Unit 1 (0.75%)	Commercial Unit 2 (0.71%)	Commercial Unit 3 (0.02%)	Commercial Unit 4 (0.05%)		
Revenue														
Maintenance Fee - Commerical Units					28,868	-	-	-	14,154	13,395	375	944		
Maintenance Fee	2,466.83	2,171.09	(295.74)	(12.0%)	17,413,684	2,147.22	2,499.09	17,413,684	-	-	-	-		
Bank/Investment Interest	0.75	6.21	5.46	728.0%	49,906	6.15	7.16	49,906	-	-	-	-		
Late Fees	4.36	4.62	0.26	6.0%	37,150	4.58	5.33	37,150	-	-	-	-		
Maintenance Fee Interest Income	8.73	9.10	0.37	4.2%	73,080	9.01	10.49	73,080	-	-	-	-		
Miscellaneous Income	0.30	0.31	0.01	3.3%	2,520	0.31	0.36	2,520	-	-	-	-		
Other Income	0.75	0.75	0.00	0.0%	6,000	0.74	0.86	6,000	-	-	-	-		
Total Maintenance Fee Revenue	2,481.72	2,192.08	(289.64)	(11.7%)	17,611,208	2,168.01	2,523.29	17,582,340	14,154	13,395	375	944		
Expenses														
Accounting	44.92	44.73	(0.19)	(0.4%)	359,377	44.27	51.53	359,043	164	155	4	11		
Activities	43.30	43.09	(0.21)	(0.5%)	346,172	42.69	49.68	346,172	-	-	-	-		
Administration	84.27	96.95	12.68	15.0%	778,890	95.95	111.68	778,164	356	337	9	24		
Audit Fee	1.87	1.93	0.06	3.2%	15,500	1.91	2.22	15,500	-	-	-	-		
Bad Debt Expense	5.72	5.68	(0.04)	(0.7%)	45,625	5.63	6.55	45,625	-	-	-	-		
Billing and Collections	11.94	11.94	0.00	0.0%	95,926	11.83	13.77	95,926	-	-	-	-		
Board of Directors	1.56	2.16	0.60	38.5%	17,375	2.14	2.49	17,375	-	-	-	-		
Cable Television	4.34	5.09	0.75	17.3%	40,879	5.04	5.87	40,879	-	-	-	-		
Common Assessment	(3.23)	(3.58)	(0.35)	(10.8%)	(28,785)	(3.55)	(4.13)	(28,785)	-	-	-	-		
Credit Card Fee	35.41	37.15	1.74	4.9%	298,500	36.81	42.84	298,500	-	-	-	-		
Electricity	197.19	208.12	10.93	5.5%	1,672,001	205.98	239.73	1,670,442	765	723	20	51		
Front Desk	144.62	129.76	(14.86)	(10.3%)	1,042,504	128.55	149.61	1,042,504	-	-	-	-		
Gas	3.67	4.38	0.71	19.3%	35,202	4.34	5.05	35,170	16	15	-	1		
High Speed Internet	11.09	12.50	1.41	12.7%	100,440	12.38	14.41	100,440	-	-	-	-		
Housekeeping	313.46	329.88	16.42	5.2%	2,650,280	326.49	379.99	2,647,809	1,212	1,146	32	81		
Human Resources	20.80	31.28	10.48	50.4%	251,328	30.96	36.03	251,093	115	109	3	8		
Income Tax	0.16	1.87	1.71	1068.8%	15,000	1.85	2.15	15,000	-	-	-	-		
Insurance	75.37	91.57	16.20	21.5%	735,650	89.32	103.96	724,395	5,517	5,223	147	368		
Landscape / Grounds	16.30	21.61	5.31	32.6%	173,653	21.08	24.54	170,996	1,302	1,233	35	87		
Loss Prevention / Security	55.93	70.12	14.19	25.4%	563,383	69.40	80.78	562,857	258	244	7	17		
Maintenance	174.27	184.12	9.85	5.7%	1,479,246	182.23	212.09	1,477,866	677	640	18	45		
Management Fee	268.16	283.19	15.03	5.6%	2,275,116	280.11	326.01	2,271,637	1,706	1,615	45	113		
Owner Services**	43.58	44.89	1.31	3.0%	360,646	44.47	51.76	360,646	-	-	-	-		
Pest Control	4.63	4.63	0.00	0.0%	37,200	4.58	5.33	37,166	17	16	-	1		
Pool Maintenance	16.91	17.27	0.36	2.1%	138,748	17.11	19.91	138,748	-	-	-	-		
Postage and Printing	0.90	0.75	(0.15)	(16.7%)	6,000	0.74	0.86	6,000	-	-	-	-		
Refuse Collection	4.07	2.72	(1.35)	(33.2%)	21,840	2.69	3.13	21,820	10	9	-	1		
Telephone	4.75	4.86	0.11	2.3%	39,060	4.82	5.61	39,060	-	-	-	-		
Transportation / Garage / Parking	27.62	9.94	(17.68)	(64.0%)	79,832	9.84	11.46	79,832	-	-	-	-		
Water and Sewer	50.18	62.03	11.85	23.6%	498,319	61.39	71.45	497,855	228	215	6	15		
Operating Fee	1,663.76	1,760.63	96.87	5.8%	14,144,907	1,741.05	2,026.36	14,119,735	12,343	11,680	326	823		
Disaster Recovery	410.93	0.00	(410.93)	(100.0%)	0	0.00	0.00	-	-	-	-	-		
Total Net Operating	2,059.80	1,739.64	(320.16)	(15.5%)	13,976,251	1,720.26	2,002.16	13,951,079	12,343	11,680	326	823		
Reserve Fee	407.03	431.45	24.42	6.0%	3,466,301	426.96	496.93	3,462,605	1,811	1,715	49	121		
Operating And Reserve Fee	2,481.72	2,192.08	(289.64)	(11.7%)	17,611,208	2,168.01	2,523.29	17,582,340	14,154	13,395	375	944		
Total Maintenance Fee	2,466.83	2,171.09	(295.74)	(12.0%)	17,442,552	2,147.22	2,499.09	17,413,684	14,154	13,395	375	944		

* 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 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.

A charge will be assessed to Owners residing in countries other than the United States and Canada and/or Owners who reside in the United States or Canada but who have mailing addresses, telephone numbers or fax numbers outside of the United States or Canada (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 or electronic communications and labor costs for additional, special support staff. The initial International Owner's Surcharge is thirty-four dollars and 50/100ths U.S. dollars (\$34.50), but the Board or the Management Company may, from time to time, increase the International Owner's Surcharge to reflect any increase in the cost of providing these services.

Capitalized terms used in these Notes have the meanings ascribed to them in the Frenchman's Cove Disclosure Statement and/or Declaration of Condominium, as each may be amended from time to time.