

**MONARCH AT SEA PINES OWNERS' ASSOCIATION, INC.**

2023 Estimated Operating Budget

For The Period Beginning January 1, 2023 And Ending December 31, 2023

|  | 2022<br>BUDGETED<br>EXPENSES<br>6,100<br>TIME-SHARE ESTATES<br>(PER TIME-SHARE ESTATE) | 2023<br>APPROVED<br>BUDGET<br>6,100<br>TIME-SHARE ESTATES<br>(PER TIME-SHARE ESTATE) | 2022 BUDGET<br>VS<br>2023 BUDGET<br>INCREASE/(DECREASE) |   | 2023<br>APPROVED<br>BUDGET TOTAL<br>\$ | 2023 BUDGET BY VILLA TYPE                        |  |
|--|--|--|---|---|--|--|--|
|  |  |  | \$  | % |  | 2 BEDROOM<br>6,050                               | 3 BEDROOM<br>50                                  |
|  |  |  |   |   |  | TIME-SHARE ESTATES<br>(PER TIME-SHARE<br>ESTATE) | TIME-SHARE ESTATES<br>(PER TIME-SHARE<br>ESTATE) |

| <b>Revenue</b>                       |                 |                 |               |              |                   |                 |                 |
|--------------------------------------|-----------------|-----------------|---------------|--------------|-------------------|-----------------|-----------------|
| Maintenance Fee                      | 1,746.94        | 1,891.24        | 144.30        | 8.3%         | 11,536,403        | 1,875.83        | 3,751.70        |
| Acquisition Revenue                  | 0.00            | 31.25           | 31.25         | 100.0%       | 190,650           | 31.00           | 62.00           |
| Antenna Income                       | 6.88            | 6.88            | 0.00          | 0.0%         | 41,976            | 6.83            | 13.65           |
| Bank/Investment Interest             | 0.45            | 3.55            | 3.10          | 688.9%       | 21,665            | 3.52            | 7.05            |
| Float Time Income                    | 3.44            | 3.44            | 0.00          | 0.0%         | 20,978            | 3.41            | 6.82            |
| Late Fees                            | 2.37            | 2.06            | (0.31)        | (13.1%)      | 12,575            | 2.04            | 4.09            |
| Maintenance Fee Interest Income      | 4.90            | 5.09            | 0.19          | 3.9%         | 31,063            | 5.05            | 10.10           |
| Marketplace Express Net              | 2.64            | 3.21            | 0.57          | 21.6%        | 19,599            | 3.19            | 6.37            |
| Surplus Return ****                  | 97.97           | 290.85          | 192.88        | 196.9%       | 1,774,191         | 288.49          | 576.97          |
| <b>Total Maintenance Fee Revenue</b> | <b>1,865.59</b> | <b>2,237.57</b> | <b>371.98</b> | <b>19.9%</b> | <b>13,649,100</b> | <b>2,219.36</b> | <b>4,438.75</b> |

| <b>Expenses</b>                          |                 |                 |               |              |                   |                 |                 |
|--|-----------------|-----------------|---------------|--------------|-------------------|-----------------|-----------------|
| Accounting                               | 24.25           | 30.02           | 5.77          | 23.8%        | 183,106           | 29.77           | 59.55           |
| Activities                               | 34.70           | 43.64           | 8.94          | 25.8%        | 266,221           | 43.29           | 86.58           |
| Administration                           | 71.66           | 72.43           | 0.77          | 1.1%         | 441,816           | 71.84           | 143.68          |
| Audit Fee                                | 1.86            | 2.30            | 0.44          | 23.7%        | 14,000            | 2.28            | 4.55            |
| Bad Debt Expense                         | 4.00            | 34.28           | 30.28         | 757.0%       | 209,100           | 34.00           | 68.00           |
| Billing and Collections                  | 6.44            | 6.70            | 0.26          | 4.0%         | 40,854            | 6.64            | 13.29           |
| Board of Directors                       | 3.29            | 3.61            | 0.32          | 9.7%         | 22,000            | 3.58            | 7.15            |
| Cable Television                         | 8.93            | 9.48            | 0.55          | 6.2%         | 57,840            | 9.40            | 18.81           |
| Consulting Expense                       | 0.45            | 0.45            | 0.00          | 0.0%         | 2,750             | 0.45            | 0.89            |
| Credit Card Fee                          | 16.10           | 16.73           | 0.63          | 3.9%         | 102,051           | 16.59           | 33.19           |
| Easement Rights - Sea Pines Plantation * | 22.87           | 35.73           | 12.86         | 56.2%        | 217,960           | 35.44           | 70.88           |
| Electricity                              | 37.40           | 33.63           | (3.77)        | (10.1%)      | 205,165           | 33.36           | 66.72           |
| Front Desk                               | 95.74           | 114.49          | 18.75         | 19.6%        | 698,376           | 113.56          | 227.11          |
| Gas                                      | 4.47            | 6.12            | 1.65          | 36.9%        | 37,318            | 6.07            | 12.14           |
| High Speed Internet                      | 4.01            | 11.39           | 7.38          | 184.0%       | 69,469            | 11.30           | 22.59           |
| Housekeeping **                          | 252.05          | 269.50          | 17.45         | 6.9%         | 1,643,947         | 267.31          | 534.62          |
| Human Resources                          | 11.50           | 16.59           | 5.09          | 44.3%        | 101,171           | 16.45           | 32.90           |
| Income Tax                               | 0.17            | 3.86            | 3.69          | 2170.6%      | 23,547            | 3.83            | 7.66            |
| Insurance                                | 88.94           | 73.96           | (14.98)       | (16.8%)      | 451,170           | 73.36           | 146.72          |
| Insurance Contingency                    | 0.00            | 254.10          | 254.10        | 100.0%       | 1,550,000         | 252.03          | 504.07          |
| Landscape / Grounds                      | 30.32           | 30.37           | 0.05          | 0.2%         | 185,261           | 30.12           | 60.25           |
| Legal                                    | 1.64            | 1.64            | 0.00          | 0.0%         | 10,000            | 1.63            | 3.25            |
| Loss Prevention / Security               | 39.46           | 49.36           | 9.90          | 25.1%        | 301,088           | 48.96           | 97.91           |
| Maintenance                              | 151.72          | 170.44          | 18.72         | 12.3%        | 1,039,712         | 169.06          | 338.12          |
| Management Fee                           | 158.81          | 171.93          | 13.12         | 8.3%         | 1,048,764         | 170.53          | 341.06          |
| Operating Capital ****                   | 97.97           | 36.75           | (61.22)       | (62.5%)      | 224,191           | 36.45           | 72.91           |
| Owner Services ***                       | 12.17           | 12.17           | 0.00          | 0.0%         | 74,243            | 12.07           | 24.14           |
| Pest Control                             | 3.05            | 3.08            | 0.03          | 1.0%         | 18,780            | 3.05            | 6.11            |
| Pool Maintenance                         | 12.24           | 12.51           | 0.27          | 2.2%         | 76,285            | 12.40           | 24.81           |
| Postage and Printing                     | 2.50            | 2.23            | (0.27)        | (10.8%)      | 13,582            | 2.21            | 4.42            |
| Property Taxes                           | 132.77          | 135.68          | 2.91          | 2.2%         | 827,625           | 134.57          | 269.15          |
| Refuse Collection                        | 5.72            | 9.38            | 3.66          | 64.0%        | 57,240            | 9.31            | 18.61           |
| Telephone                                | 4.69            | 4.58            | (0.11)        | (2.3%)       | 27,968            | 4.55            | 9.10            |
| Water and Sewer                          | 9.73            | 11.06           | 1.33          | 13.7%        | 67,494            | 10.97           | 21.95           |
| <b>Operating Fee</b>                     | <b>1,351.62</b> | <b>1,690.19</b> | <b>338.57</b> | <b>25.0%</b> | <b>10,310,094</b> | <b>1,676.43</b> | <b>3,352.89</b> |

|                                  |                 |                 |               |              |                   |                 |                 |
|----------------------------------|-----------------|-----------------|---------------|--------------|-------------------|-----------------|-----------------|
| <b>Reserve Fee</b>               | <b>513.97</b>   | <b>547.38</b>   | <b>33.41</b>  | <b>6.5%</b>  | <b>3,339,006</b>  | <b>542.93</b>   | <b>1,085.86</b> |
| <b>Operating And Reserve Fee</b> | <b>1,865.59</b> | <b>2,237.57</b> | <b>371.98</b> | <b>19.9%</b> | <b>13,649,100</b> | <b>2,219.36</b> | <b>4,438.75</b> |

\* Pursuant to the terms of the Easement Agreement between Community Services Associates, Inc. and Marriott Ownership Resorts, Inc. for easement of roads, public facilities, bike paths and trails within the Sea Pines Plantation.

\*\* Certain operating expenses are presented in the budget net of funds estimated to be reimbursed to the Association in 2023, 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.

\*\*\* 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 Operating fund balance of Monarch at Sea Pines Owners' Association, Inc. anticipated at December 31, 2022, is \$1,774,191 representing approximately 14.1% of the 2023 budget. The Association board has designated that \$1,550,000 be held as insurance contingency and \$224,191 as operating capital. Any excess surplus funds shall remain in the operating fund to sustain financial operations in the event of significant unbudgeted expenses in 2023.

The resort consist of one hundred twenty-two (122) units. One hundred and twenty-one (121) units contain two (2) bedroom and two (2) bathrooms and have a per unit costs of \$93,792.00 One (1) unit, the Crown Suite Unit 3855, contains three (3) bedrooms and three (3) bathrooms and has a per unit costs of \$187,584.00

Certain insurance services and insurance products may be procured or provided by an affiliate of the management company. Such insurance services and insurance products are provided on substantially similar terms and conditions as are provided to other associations, with terms and conditions which are reasonably obtainable in the market. The reimbursable expenses associated with such insurance services and products include costs for employees of the management company. The affiliate of the management company may incur profits or losses associated with such insurance services and products.

Certain expenses incurred by the Management Company and its affiliates in connection with the operation and management of the Association, including but not limited to expenses associated with utilization of its corporate or administrative infrastructure, have been allocated to the Association and other resort properties operated by the Management Company and its affiliates on a basis determined by the Management Company in a commercially reasonable manner. This may include an allocation of certain costs and expenses on a fixed-rate basis, and actual costs and expenses incurred may be higher or lower than the amount allocated to the Association and reflected in this budget for the referenced fiscal year.

Capitalized terms not defined in this budget have the meaning given to them in the Master Deed, Declaration of Interval Ownership or the Public Offering text.

# CYB TO NYB VARIANCES

|                        |                    |                    | Unit Weeks                  | 6,100       |                   |                      |
|------------------------|--------------------|--------------------|-----------------------------|-------------|-------------------|----------------------|
|                        | 2023 Budget        | 2022 Budget        | \$ / UW Increase (Decrease) | % Change    | \$ Change         | Variance 5% / \$1PUW |
| Total Net Operating    | \$ 1,479.54        | \$ 1,365.74        | \$ 113.80                   | 8.3%        | \$ 694,180        |                      |
| Property Taxes         | \$ 135.68          | \$ 132.77          | \$ 2.91                     | 2.2%        | \$ 17,751         |                      |
| Reserve Fee            | \$ 547.38          | \$ 513.97          | \$ 33.41                    | 6.5%        | \$ 203,801        |                      |
| <b>Maintenance Fee</b> | <b>\$ 1,891.24</b> | <b>\$ 1,746.94</b> | <b>\$ 144.30</b>            | <b>8.3%</b> | <b>\$ 915,732</b> |                      |

| Line Item                               | 2023 Budget | 2022 Budget | \$ / UW Increase (Decrease) | % Change | \$ Change    | Variance Explanations Budget Vs Budget   |
|---|-------------|-------------|-----------------------------|----------|--------------|--|
| Acquisition Revenue                     | \$ 31.25    | \$ -        | \$ 31.25                    | 100.0%   | \$ 190,625   | The variances is a result of compliance with ASC-606 regarding the reporting of revenues from estimated foreclosed inventory.                          |
| Bank/Investment Interest                | \$ 3.55     | \$ 0.45     | \$ 3.10                     | 688.9%   | \$ 18,910    | 2023 budget is in line with forecast.  |
| Surplus Return****                      | \$ 290.85   | \$ 97.97    | \$ 192.88                   | 196.9%   | \$ 1,176,568 | The expense line addition is due to updated reporting to assist with financial transparency. Surplus return is offset by Operating Capital.            |
| Accounting                              | \$ 30.02    | \$ 24.25    | \$ 5.77                     | 23.8%    | \$ 35,197    | Variance related to cost and compensation increases for all accounting functions needed to support the operations team.                                |
| Activities                              | \$ 43.64    | \$ 34.70    | \$ 8.94                     | 25.8%    | \$ 54,534    | Increase due to expected wage increase for all associates with proportional benefit increases combined with price increases for activities supplies.   |
| Bad Debt Expense                        | \$ 34.28    | \$ 4.00     | \$ 30.28                    | 757.0%   | \$ 184,708   | The variances is a result of compliance with ASC-606 in conjunction with Acquisition Revenue. Bad Debt decreased by .97 cents PUW, from previous year. |
| Easement Rights - Sea Pines Plantation* | \$ 35.73    | \$ 22.87    | \$ 12.86                    | 56.2%    | \$ 78,446    | Increase of \$600 a unit for Critical Infrastructure Assessment  |
| Electricity                             | \$ 33.63    | \$ 37.40    | \$ (3.77)                   | -10.1%   | \$ (22,997)  | Based on the current forecast and anticipated costs increase.  |
| Front Desk                              | \$ 114.49   | \$ 95.74    | \$ 18.75                    | 19.6%    | \$ 114,375   | Increase due to expected wage increase for all associates with proportional benefit increases.   |
| Gas                                     | \$ 6.12     | \$ 4.47     | \$ 1.65                     | 36.9%    | \$ 10,065    | Variance driven by a .63 cent rate increase in November and averaged consumption over 4 years.   |
| High Speed Internet                     | \$ 11.39    | \$ 4.01     | \$ 7.38                     | 184.0%   | \$ 45,018    | Based on the current forecast and anticipated costs increase.  |
| Housekeeping**                          | \$ 269.50   | \$ 252.05   | \$ 17.45                    | 6.9%     | \$ 106,445   | Department labor expense increase as well as product costs increase.   |
| Human Resources                         | \$ 16.59    | \$ 11.50    | \$ 5.09                     | 44.3%    | \$ 31,049    | Variance related to cost and compensation increases for all accounting functions needed to support the operations team.                                |
| Income Tax                              | \$ 3.86     | \$ 0.17     | \$ 3.69                     | 2170.6%  | \$ 22,509    | Income Tax is 37% of bank interest and antenna income  |

# CYB TO NYB VARIANCES

|                        |                    |                    | Unit Weeks                  | 6,100       |                   |                      |
|------------------------|--------------------|--------------------|-----------------------------|-------------|-------------------|----------------------|
|                        | 2023 Budget        | 2022 Budget        | \$ / UW Increase (Decrease) | % Change    | \$ Change         | Variance 5% / \$1PUW |
| Total Net Operating    | \$ 1,479.54        | \$ 1,365.74        | \$ 113.80                   | 8.3%        | \$ 694,180        |                      |
| Property Taxes         | \$ 135.68          | \$ 132.77          | \$ 2.91                     | 2.2%        | \$ 17,751         |                      |
| Reserve Fee            | \$ 547.38          | \$ 513.97          | \$ 33.41                    | 6.5%        | \$ 203,801        |                      |
| <b>Maintenance Fee</b> | <b>\$ 1,891.24</b> | <b>\$ 1,746.94</b> | <b>\$ 144.30</b>            | <b>8.3%</b> | <b>\$ 915,732</b> |                      |

| Line Item                  | 2023 Budget | 2022 Budget | \$ / UW Increase (Decrease) | % Change | \$ Change    | Variance Explanations Budget Vs Budget  |
|----------------------------|-------------|-------------|-----------------------------|----------|--------------|---|
| Insurance                  | \$ 73.96    | \$ 88.94    | \$ (14.98)                  | -16.8%   | \$ (91,378)  | Insurance is based off guidance from risk management:<br>2023/2022<br>- Liability - 20%<br>- Vehicle - 25%<br>- Property - 15%<br>- D&O - 30%   |
| Insurance Contingency      | \$ 254.10   | \$ -        | \$ 254.10                   | #DIV/0!  | \$ 1,550,010 | The expense line addition is due to updated reporting to assist with financial transparency. Surplus return is offset by Operating Capital.   |
| Loss Prevention / Security | \$ 49.36    | \$ 39.46    | \$ 9.90                     | 25.1%    | \$ 60,390    | Increase is due to expected wage increase for all associates with proportionate benefit increase.   |
| Maintenance                | \$ 170.44   | \$ 151.72   | \$ 18.72                    | 12.3%    | \$ 114,192   | Increase due to expected wage increase for all associates with proportional benefit increases combined with price increases for Water Testing, A-C - Heating Equipment, and Maintenance Supplies. |
| Management Fee             | \$ 171.93   | \$ 158.81   | \$ 13.12                    | 8.3%     | \$ 80,032    | The Monarch's management fee is 10% of the annual operating and reserve budgets. The change in this line item is directly related to the 2023 increase in maintenance fees.                       |
| Operating Capital****      | \$ 36.75    | \$ 97.97    | \$ (61.22)                  | -62.5%   | \$ (373,442) | The expense line addition is due to updated reporting to assist with financial transparency. Surplus return is offset by Operating Capital.   |