

## **Marriott Vacation Club of Aruba Cooperative Association**

### **Board of Directors Meeting**

**October 12, 2010**

The Fall Meeting of the Board of Directors of Marriott Vacation Club of Aruba Cooperative Association was held on October 12, 2010, in Ballroom Salon B, at the Aruba Marriott Resort & Stellaris Casino, 101, L.G. Smith Boulevard, Palm Beach, Aruba.

**Present from the Board of Directors were:** Frank Knox, President, Stevan Richards, Vice President, Melissa Pericolosi, Treasurer/Secretary, Anthony Lifrieri, Board Officer, Michael Reilly, Board Officer

**Present from Marriott Vacation Club® were:** Troy Asche, Regional Vice President of Florida and Caribbean Operations; Paul Gremel, Market Director of Finance – North American Timeshare Organization (NATO) Operations, Caribbean; Kevin Schwab, Aruba Marriott Resort & Stellaris Casino General Manager; Corey Guest, General Manager; Ricardo Vrolijk, Director of Finance; Lillian Britten, Director of Rooms Operations; Daniel Aguirre, Chief Engineer and Gail Sahit Executive Administrative Assistant, acting Recording Secretary.

### **CALL TO ORDER**

The Board Meeting was called to order at 10:06 a.m., Eastern time.

### **ESTABLISHING QUORUM**

With all of the Board Members present, quorum was met.

### **APPOINTMENT OF RECORDING SECRETARY**

The Board of Directors of the Marriott Vacation Club of Aruba Cooperative Association appointed Gail Sahit as Recording Secretary.

### **NOTICE OF MEETING**

The notice and the Agenda of the Board of Directors Meeting was e-mailed to the Board Members and was posted at the Aruba Ocean Club resort on Saturday October 9, 2010.

### **APPROVAL OF AGENDA**

**A Motion was made by Stevan Richards to approve the Agenda of October 12, 2010. The motion was seconded by Melissa Pericolosi and unanimously carried.**

### **APPROVAL OF MEETING MINUTES**

**A Motion was made by Melissa Pericolosi to waive the reading of the August 16, 2010 Board Meeting Minutes and that they be approved as presented. The motion was seconded by Anthony Lifrieri and unanimously carried**

### **RESORT OPERATIONS REPORT**

Corey Guest presented the Operations Report.

Update on the 2010 Board Action Items related to the interior renovation such as addition of shower clothes lines, felt pads beneath the bar stools, improvement of bathroom lighting, installation of 'black-out drapes' in place of the 'darkening drapes' at no cost to the Association

- Management Changes
- Guest Satisfaction Survey results continue to increase despite the on-going exterior renovation
- Feedback from the Owners at the weekly Owners receptions and e-mails is positive
- Vacation Experience enhancements including the addition of a common-area ice machine, serenity garden in place of the mosaic water fountain, new beach showers, renovated public bathrooms, improved exterior lighting and more that will be detailed in the Fall Operations Newsletter
- Remaining major property enhancements include the elevator cab refurbishment and new interior signage before the end of this year
- Cost Savings Initiatives and 2011 Risk Factors

Lillian Britten, provided a brief explanation of the newly implemented property management system ‘OPERA’ which is now being used throughout all three properties for check-in and check-out.

**FINANCIAL REPORTS**

Ricardo Vrolijk provided an update on current financials, accounts receivable and 2010 reserve projects.

Daniel Aguirre then provided a presentation on an environmentally friendly project – installation of Capacitor Banks - designed to aid in reducing energy consumption and costs; the project investment of \$35,000.00 is expected to have a return on investment in less than one year based on current electric costs per kilowatt.

**A Motion was made by Anthony Lifrieri to approve the energy saving Capacitor Bank Project in 2010 as presented in the amount of \$35,000.00 from the Residential Reserve Fund. The motion was seconded by Melissa Pericolosi and unanimously carried.**

Paul Gremel provided a brief update on possible Aruba tax liabilities and that PricewaterhouseCoopers along with Marriott Vacation Club is continuing to research all potential Condominium Owner Association (COA) Aruba tax liabilities and mitigating any owed amounts.

- PricewaterhouseCoopers and Marriott Vacation Club will hold a conference call with the COA within the next 60 to 90 days to provide an update on tax status for prior years.

Paul Gremel and Ricardo Vrolijk provided an update on their meetings with the Owner Finance Committee in September. The recommendations following those meetings as well as additional input from the Board results in an annual year-over-year budget reduction to total \$13,472,476.00.

**A motion was made by Melissa Pericolosi to approve the 2011 Annual budget as follows: Operating fee of \$ 788.44 and Reserve fee of \$261.13 for a one-bedroom villa; Operating fee of \$1,049.94 and Reserve fee of \$353.23 for a two-bedroom villa, for a total budget of \$13,472,476.00 as attached to the minutes. The motion was seconded by Stevan Richards and unanimously carried.**

It was noted that the combined one and two-bedroom annual total maintenance fee in 2010 was 17.7% less than 2009 and in 2011 the approved amount in aggregate is 27.1% less than in 2010.

Troy Asche stated that based on the budget discussions he will follow up on behalf of the Board.

- Troy Asche to brief Marriott Vacation Club senior leadership on the management fee concerns of the Board.

Ricardo Vrolijk presented the proposed 2011 Reserve Projects in the amount of \$1,032,488.00.

Projected Expenditures Marriott's AOC-Residential	PROJECTED EXPENDITURES Marriott's AOC-Common
Air Conditioner Coil Steamer	Asphalt Slurry Seal/Stripe
Beach Groomer-Cherington 3000	Benches-Exterior
Beach Groomer-Cherington 950	Boiler Fuel Oil Pumps
Beach Palapas	Building Autom.Syst.-Hardware Additions
Beach Palapas - Bases	Concrete/Curbing Repair
Fountain Re-Plaster-Mgr's Terrace	Housekeeping Equipment-Misc. Yearly
Fountain-Drinking Fountain Beach	Life Safety Minor Upgrades-Yearly
Furnishings-BOH-HK Areas	Lighting-Parking/Drive Luminaries
Heat Pump Units A- Recycle 3 years	Magnetic Locks/Pushbars - Ext Doors
Heat Pump Units B- Recycle 3 years	Pump-Hot Water Circulation (2 hp)
Heat Pump Units C-Recycle 3 years	Pump-Sewage (2 hp)
Lighting-Mini Landscape Fixture	Pump-Sewage (3 hp)
Luggage Room Refurbishment	Reserve For Contingencies
Pool/Beach Bimini Tops	Sewing Machine
Pool/Beach Chair	Sign Replacement
Pool/Beach Umbrellas	Vestibule - Double Door
Reserve For Contingencies	Water Fountains
Spa Rocks Refurbish - Structure Interior	
Window Replacement	

A motion was made by Stevan Richards to approve the 2011 Reserve Fund Expenditures as follows: Residential expenditures in the amount of \$632,882 and Common expenditures in the amount of \$399,606 as attached to the minutes. The motion was seconded by Anthony Lifrieri and unanimously carried.

**UNFINISHED BUSINESS**

There was no unfinished business

**NEW BUSINESS**

Board Committee Travel Policy Update

A motion was made by Anthony Lifrieri to approve the amended Expense Reimbursement Policy for Board Committee Members as updated on October 12, 2010 as per the document attached to the meeting minutes. The motion was seconded by Melissa Pericolosi and unanimously carried.

Expulsions & Payment Plans

A motion was made by Frank Knox to approve two motions regarding improving the process for ‘Expulsion of Members for Non-Payment of Loans’ and the process for ‘Consideration of Payment Plans’ as outlined in Exhibit A attached to the meeting minutes. The motion was seconded by Stevan Richards and unanimously carried.

A motion was made by Frank Knox to provide a payment plan for nine (9) of the 12 Owners formally in the expulsion phase who have requested appeals. These nine (9) Owners, who have not made any payment since 2008 will be allowed until January 15, 2011 to be paid in full on all past and current outstanding maintenance fees. Of the remaining three (3) Owners who have made some type of payment in 2009 or after, they will be allowed up until May 1, 2011 to be paid in full on all past and current outstanding maintenance fees. If any of the 12 applicable Owners have any outstanding amounts owed by the applicable date stated above then they will move into the next and final phase of expulsion. The motion was seconded by Stevan Richards and unanimously carried.

Establishment of Next Meeting Date

A motion was made by Stevan Richards to approve the date of October 10, 2011 for the Fall Board of Directors Meeting. The motion was seconded by Anthony Lifrieri and unanimously carried.

**ADJOURNMENT**

There being no further business, a motion was made by Frank Knox to adjourn the meeting. The motion was seconded by Stevan Richards and unanimously carried. The meeting adjourned at 10:56 p.m., Eastern time.

Submitted by:

Approved by:

\_\_\_\_\_  
Gail Sahit, Recording Secretary

\_\_\_\_\_  
Frank Knox, Board President

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**These meeting minutes are subject to approval at the next Board of Director Meeting**

**MARRIOTT VACATION CLUB INTERNATIONAL OF ARUBA COOPERATIVE ASSOCIATION  
2010 APPROVED OPERATING BUDGET  
FOR THE PERIOD BEGINNING JANUARY 01, 2010 AND ENDING DECEMBER 31, 2010**

Unit Weeks	2010 BUDGETED EXPENSES 11,227 (PER UNIT WEEK)	2011 APPROVED BUDGET 11,227 (PER UNIT WEEK)	2010 Budget vs. 2011 Budget		2011 RESIDENTIAL BUDGET \$	COMMERCIAL UNITS	TOTAL ANNUAL EXPENSES	2011 APPROVED BUDGET BY VILLA TYPE	
			INCREASE/(DECREASE) \$	%				1 BEDROOM	2 BEDROOM
								6,437 (PER UNIT WEEK)	4,790 (PER UNIT WEEK)
ACCOUNTING	32.95	34.02	1.05	3.2%	381,978	-	381,978	28.59	41.19
ACTIVITIES	41.40	33.47	(7.93)	(19.2%)	375,791	-	375,791	28.22	40.53
ADMINISTRATION	61.37	64.08	2.71	4.4%	719,415	-	719,415	54.04	77.57
BAD DEBT EXPENSE	9.00	9.01	0.01	0.1%	101,180	-	101,180	7.60	10.91
BANK CHARGES	-	-	-	100.0%	-	-	-	-	-
BILLING AND COLLECTIONS	9.00	9.18	0.18	2.0%	103,039	-	103,039	7.74	11.11
CABLE TELEVISION	4.36	5.67	1.31	30.0%	63,628	-	63,628	4.78	6.86
COMMON EXPENSE ASSESSMENT	145.25	145.80	(0.45)	(0.3%)	1,636,897	234,271	1,871,168	145.80	145.80
CREDIT CARD FEE	30.69	20.55	(10.14)	(33.0%)	230,728	-	230,728	17.33	24.88
ELECTRICITY	111.83	125.65	13.82	12.4%	1,410,719	-	1,410,719	105.96	152.12
FRONT DESK	63.85	66.61	2.75	4.3%	747,832	-	747,832	56.17	80.64
HIGH SPEED INTERNET	(0.12)	-	0.12	100.0%	-	-	-	-	-
HOUSEKEEPING	121.04	128.77	7.73	6.4%	1,445,803	-	1,445,803	108.59	155.91
HUMAN RESOURCES	7.03	7.14	0.11	1.5%	80,161	-	80,161	7.14	7.14
MAINTENANCE	98.03	100.19	2.16	2.2%	1,124,777	-	1,124,777	84.48	121.29
MANAGEMENT FEE	100.04	95.84	(4.20)	(4.2%)	1,075,974	-	1,075,974	80.82	116.02
OTHER INCOME	(33.55)	(38.74)	(5.18)	(15.4%)	(434,900)	-	(434,900)	(32.57)	(46.89)
OWNER SERVICES	28.70	29.56	0.86	3.0%	331,870	-	331,870	29.56	29.56
POOL MAINTENANCE	7.33	5.69	(1.64)	(22.4%)	63,853	-	63,853	4.80	6.88
POSTAGE AND PRINTING	5.25	5.71	0.46	8.8%	64,106	-	64,106	5.71	5.71
TRANSPORTATION	-	-	-	100.0%	-	-	-	-	-
WATER AND SEWER	45.09	51.80	6.71	14.9%	581,549	-	581,549	43.68	62.71
OPERATING FEE	889.55	900.00	10.45	1.2%	10,104,400	234,271	10,338,671	786.44	1,049.94
DEFICIT RECOVERY / (SURPLUS RETURN)	-	-	-	100.0%	-	-	-	-	-
NET OPERATING FEE	889.55	900.00	10.45	1.2%	10,104,400	234,271	10,338,671	786.44	1,049.94
RESERVE FEE RESIDENTIAL	301.57	247.98	(53.59)	(17.8%)	2,784,047	-	2,784,047	209.11	300.21
RESERVE FEE COMMON	55.63	52.02	(3.61)	(6.5%)	584,029	89,386	673,415	52.02	52.02
SPECIAL ASSESSMENT - Common & Residential	400.00	-	(400.00)	(100.0%)	-	-	-	-	-
OPERATING AND RESERVE FEE	1,646.75	1,200.00	(446.75)	(27.1%)	13,472,476	323,657	13,796,133	1,049.57	1,402.17

**MARRIOTT VACATION CLUB INTERNATIONAL OF ARUBA COOPERATIVE ASSOCIATION  
2010 ESTIMATED COMMON ASSESSMENT BUDGET  
FOR THE PERIOD BEGINNING JANUARY 01, 2010 AND ENDING DECEMBER 31, 2010**

Unit Weeks	2010 BUDGETED EXPENSES 11,227 (PER UNIT WEEK)	2011 APPROVED BUDGET 11,227 (PER UNIT WEEK)	2010 Budget vs. 2011 Budget		2011 RESIDENTIAL BUDGET \$	COMMERCIAL UNITS	TOTAL ANNUAL EXPENSES	2011 APPROVED BUDGET BY VILLA TYPE	
			INCREASE/(DECREASE) \$	%				1 BEDROOM	2 BEDROOM
								6,437 (PER UNIT WEEK)	4,790 (PER UNIT WEEK)
ANNUAL LEASE PAYMENTS	10.14	10.14	-	0.0%	113,842	16,293	130,135	10.14	10.14
AUDIT FEE	2.57	2.14	(0.43)	(16.7%)	24,026	3,439	27,465	2.14	2.14
BOARD OF DIRECTORS	2.81	2.64	(0.17)	(6.0%)	29,639	4,242	33,881	2.64	2.64
ELECTRICITY	2.43	2.30	(0.13)	(5.3%)	25,822	3,696	29,518	2.30	2.30
GROUNDS	19.95	21.42	1.47	7.4%	240,482	34,417	274,899	21.42	21.42
HOUSEKEEPING	2.76	3.05	0.29	10.5%	34,242	4,901	39,143	3.05	3.05
INCOME / TRANSFER / GROUNDS - TAX	11.22	11.22	-	0.0%	125,967	18,028	143,995	11.22	11.22
INSURANCE	10.03	10.73	0.70	7.0%	120,466	17,241	137,707	10.73	10.73
LEGAL	6.06	-	(6.06)	(100.0%)	-	-	-	-	-
LOSS PREVENTION / SECURITY	33.78	36.66	2.88	8.5%	411,582	58,905	470,487	36.66	36.66
MAINTENANCE	9.70	8.68	(1.02)	(10.5%)	97,450	13,947	111,397	8.68	8.68
MANAGEMENT FEE	13.30	13.25	(0.05)	(0.4%)	148,758	21,290	170,048	13.25	13.25
PEST CONTROL	1.84	1.92	0.08	4.3%	21,556	3,085	24,641	1.92	1.92
REFUSE COLLECTION	3.08	2.61	(0.47)	(15.3%)	29,302	4,194	33,496	2.61	2.61
SITE ADMINISTRATION	4.07	5.30	1.23	30.2%	59,503	8,516	68,019	5.30	5.30
WATER AND SEWER	12.51	13.74	1.23	9.8%	154,259	22,077	176,336	13.74	13.74
OPERATING FEE	146.25	145.80	(0.45)	(0.3%)	1,636,896	234,271	1,871,167	145.80	145.80
RESERVE FEE	55.63	55.63	-	0.0%	624,558	89,386	713,944	55.63	55.63
OPERATING AND RESERVE FEE	201.88	201.43	(0.45)	(0.2%)	2,261,454	323,657	2,585,111	201.43	201.43

THE FOREGOING FINANCIAL PROJECTIONS ARE EXPECTED TO EXIST DURING THE INDICATED PERIODS. SOME ASSUMPTIONS AND ESTIMATES INEVITABLY WILL NOT BE ACCURATE, AND UNANTICIPATED EVENTS MAY OCCUR. THEREFORE, ACTUAL RESULTS WILL VARY, AND SUCH VARIATIONS MAY BE MATERIAL. MARRIOTT ARUBA, N.V. EXTENDS NO GUARANTEES AND MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THIS FORECAST. IN THAT REGARD, NEITHER MARRIOTT ARUBA N.V., NOR ITS PARENT, ANY AFFILIATE, EMPLOYEE, OFFICER, DIRECTOR, SHAREHOLDER OR AGENT THEREOF, SHALL HAVE ANY LIABILITY WHATSOEVER ARISING FROM THESE PROJECTIONS OR THE ACTUAL RESULTS ACHIEVED.

**ARUBA OCEAN CLUB COMMITTEE  
EXPENSE REIMBURSEMENT POLICY**

It is the policy of the Aruba Ocean Club Board of Directors to reimburse its Committee Members for the reasonable expenses, which they incur to fulfill their duties and responsibilities as members in attending Board or Committee Meetings.

To that end, the following policy has been adopted:

*Lodging:* Expenses will be reimbursed for a number of nights equal to one (1) night before the first meeting date the member is expected to attend until the night after the date of the last meeting )e.g.: one (1) day meeting = three (3) nights lodging). If space at Aruba Ocean Club is unavailable and a member elects to stay at a location other than another MCVI resort or if a member incurs no actual lodging expenses (uses own week/ points), expenses will be reimbursed for the approved number of nights at the MCVI Board member rate.

*Meals:* Expenses will be reimbursed for a member's length of stay plus one (1) (e.g.: three (3) nights stay = 4 days meal expenses to account for travel days). Expenses will be reimbursed at a per diem rate of \$100/ day.

*Transportation:* Airfare will be reimbursed at the lowest available non- refundable coach airfare rate for a ticket purchased at least 14 days in advance of the meeting if schedule for a meeting allows. If the member drives a personal car, they will be reimbursed at the prevailing IRS reimbursement rate (**currently .55 miles**) for miles to and from the airport and for parking. Lodging costs en-route at a reasonable lodging rate will be reimbursed. (Not to exceed the cost of normal airfare and rental car cost). Cab fare to and from the airport is also reimbursable.

*Car Rental:* Expenses will be reimbursed for a member length of stay (e.g.: three (3) nights = 3 days car rental expense). Expenses will be reimbursed for a rental car plus actual fuel costs. Cab fare is reimbursable if member chooses not to rent a car.

*Telephone/ Postage/ Reproduction/ Miscellaneous:* Related expenses will be reimbursed with proper proof of expense. (printing, notary charges, etc.)

*Receipts:* Submission of proper receipts will be required for all expenses to be reimbursed with the exception of meals within the per diem and mileage.

Expenses reports should be submitted to the DOF within 30 days of the meeting.

Members will be paid the amount submitted to the DOF within 15 days; any discrepancies to the policy will be forwarded to the Aruba Ocean Club Treasurer of President for approval.

Updated October 12, 2010

**Cooperatieve Vereniging Marriott Vacation Club International of Aruba (the "Association")**  
**Meeting of the Board of Directors**  
**October 12, 2010**

**Exhibit A**

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Motions and Resolutions of Board of Directors (the "Board") Regarding Process For Expulsion of Members for Non-Payment of Loans and Consideration of Payment Plans.

In order to better address the problem regarding Members of the Association who are delinquent on their loan payments or any financial obligations due to Marriott Vacation Club International of Aruba, N.V., or its assignees (the "Lender") and Members who are delinquent in their maintenance fees ("Maintenance Fees"), it is in the best interest of the Association that, 1) upon notice from Lender that a Member is at least one hundred (100) days delinquent in any financial obligation owed to Lender, the Managing Agent shall report such delinquency to the Board (the "Notice"), and upon receipt of such Notice by the Board, the Managing Agent shall begin the expulsion process pursuant to the Bylaws; and 2) the Board approves the Managing Agent's authority to offer Members who are delinquent in their Maintenance Fees a payment plan not to exceed four (4) months in length, on the condition that the Member pays all accrued interest and late fees as a part of such payment plan. The Board considers and adopts the following motions:

MOTION NO. 1:

Upon proper Notice from Lender that a Member is at least one hundred (100) days delinquent in any financial obligation owed to Lender, the Managing Agent shall report such delinquency to the Board and upon receipt of such Notice by the Board the Managing Agent is hereby authorized to begin the expulsion process against the Members listed on the Notice without any further meeting or action of the Board.

NOW THEREFORE, BE IT RESOLVED, that upon proper Notice from the Lender that a Member of the Association, is at least one hundred (100) days delinquent in any financial obligation owed to Lender the Managing Agent shall report such delinquency to the Board; and

FURTHER RESOLVED, that all Members listed on any such Notice(s) presented to the Board from time to time are hereby recommended for expulsion from the Association, in accordance with Section 13.2 of the Bylaws of the Association, with out any further action or meeting of the Board; and

FURTHER RESOLVED, that the officers of the Managing Agent be, and each of them hereby is, authorized and directed to do or cause to be done any and all such other actions and any and all such further agreements, instruments or other documents, in the name and on behalf of the Association or otherwise, as he, she, it or they may deem necessary or appropriate to carry into effect the full intent and purpose of the foregoing resolutions, the taking of such actions or the execution or delivery of any such documents by such persons or entities to be conclusive evidence that the same were authorized by the resolutions; and

FURTHER RESOLVED, that any and all such actions heretofore or hereinafter taken on behalf of the Association by any of said persons or entities within the terms of the foregoing resolutions are hereby approved, ratified and confirmed as the acts and deeds of the Association.

MOTION NO. 2:

The Board approves the Managing Agent's authority to offer Members who are delinquent in their Maintenance Fees a payment plan not to exceed four (4) months in length on the condition that the Member pays all accrued interest and accrued late fees as part of such payment plan.

NOW THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Managing Agent to offer Members who are delinquent in their Maintenance Fees a payment plan not to exceed four (4) months in length as long as the Member pays all accrued interest and accrued late fees as part of such payment plan; and

FURTHER RESOLVED, that the officers of the Managing Agent be, and each of them hereby is, authorized and directed to do or cause to be done any and all such other actions and any and all such further agreements, instruments or other documents, in the name and on behalf of the Association or otherwise, as he, she, it or they may deem necessary or appropriate to carry into effect the full intent and purpose of the foregoing resolutions, the taking of such actions or the execution or delivery of any such documents by such persons or entities to be conclusive evidence that the same were authorized by the resolutions; and

FURTHER RESOLVED, that any and all such actions heretofore or hereinafter taken on behalf of the Association by any of said persons or entities within the terms of the foregoing resolutions are hereby approved, ratified and confirmed as the acts and deeds of the Association.