

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

### **Board of Directors Meeting**

**October 10, 2011**

The Fall Meeting of the Board of Directors of Marriott Vacation Club of Aruba Cooperative Association was held on October 10, 2011, in Amsterdam II Meeting Room, 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, Director, Michael Reilly, Director

**Present from Marriott Vacation Club® were:** Troy Asche, Regional Vice President Customer Experience; Paul Gremel, Market Director of Finance; Corey Guest, General Manager; Ricardo Vrolijk, Director of Finance and Gail Sahit Executive Administrative Assistant, acting Recording Secretary.

**Attendees:** E. Roland David, Senior Vice President, Dana Investment Advisors Inc.

### **CALL TO ORDER**

The Board Meeting was called to order at 2:08 p.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 posted at the Aruba Ocean Club resort on Saturday October 8, 2011.

### **APPROVAL OF AGENDA**

**A motion was made by Stevan Richards to approve the Agenda of October 10, 2011. 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 February 28, 2011 Board Meeting Minutes and approve as presented. The motion was seconded by Anthony Lifrieri and unanimously carried.**

### **RESORT OPERATIONS REPORT**

Corey Guest presented the Operations Report. Highlights included:

- Guest Satisfaction Survey results continue to increase
- The 2011 Overall Owner Vacation Experience score is 95.9% compared to 2010 which was 91.3%
- Management Team changes were reviewed
- Cost savings initiatives included new energy-saving appliances, air-conditioning units, energy capacitors on electrical motors and more which resulted in a 10% utility consumption savings year over year
- Remaining major projects this year include new Lobby doors, resurfacing of the parking areas, patio fountain re-tiling and installation of the last 70 villa air-conditioning units
- The 2012 business outlook and plans and SWOT (Strengths, Weaknesses and Opportunities) analysis

## **FINANCIAL REPORTS**

**A Motion was made by Melissa Pericolosi to approve the 2010 PricewaterhouseCoopers Annual Audit Report as presented. The motion was seconded by Anthony Lifrieri and unanimously carried.**

Troy Asche provided an important update regarding the proposed government changes in the local tax system which will impact the taxable income of the Association under local laws. As there have been discussions within the local government to tax timeshare cooperative associations similar to a regular company, the Association has proactively: (1) filed an appeal with the local tax authorities through Pricewaterhousecoopers to ensure that Cooperative Associations be viewed as non-profit entities where maintenance and reserve fees are not considered taxable (similar to the timeshare tax code in the United States); and (2) Marriott Vacation Club's Tax Department has proactively been working directly with the Aruba Timeshare Association to assist with proposed legislation that would favor the Association's future tax status.

Dana Advisors' representative Roland David provided a presentation on accounts status. Highlights include:

- Portfolio characteristics and asset Allocation
- Dana Limited volatility strategy overview
- Economic outlook and review
- Holdings as of September 2011

Paul Gremel and Ricardo Vrolijk provided an update on their meetings with the Owner Finance Committee in September. With input from the Board of Directors, a second 2012 Budget scenario and maintenance fee worksheet was calculated. The first scenario recommended by the Management Company included information that was available regarding current and future utility pricing as well as actual changes to be made in the local labor laws. The second, Owner Finance Committee and Board scenario, included this information but based the estimated utility fluctuation on past history. It was decided by the Board to use the second proposed budget scenario but also include a return to Owners of year-end surplus. It was noted by Troy Asche for the minutes that the risk of providing any surplus return would potentially mean that in the following year there may be a deficit in at least the same amount. The Board added that after a full Finance Committee and Board Director review of the budget, if there is any potential deficit it should only be primarily related to the fluctuation of local utility costs as this continues to be greatest unpredictable operating expense.

**A Motion was made by Melissa Pericolosi to approve the 2012 Annual budget as follows: Operating Fee of \$796.14 and Reserve Fee of \$273.78 for a one-bedroom villa; Operating Fee of \$1,055.80 and Reserve Fee of \$370.39 for a two-bedroom villa, for a total budget of \$ 13,718,525 as attached to the minutes of record. The motion was seconded by Stevan Richards and unanimously carried.**

Ricardo Vrolijk presented the proposed 2012 Reserve Projects in the amount of \$1,066,646.

### Residential Area Projects

Beach Palapas  
Beach Palapas-Bases  
Carpentry Repairs/Paint-Trellis  
Case Goods-Back  
Case Goods-Front  
Case Goods-HSKP  
Chair-Back  
Chair-Front  
Computer-Back  
Computer-Front  
Fitness Equipment  
Furniture-BOH-Exec. Offices  
Lockset Assemblies-Doors  
Lockset Computer  
Mattress/Box Spring-King-1BR  
Mattress/Box Spring-King-2BR  
Mattress/Box Spring-Queen-LO  
Office Furniture-R&M  
Pool/Beach Bimini Tops  
Pool/Beach Chair

### Common Area Projects

Cameras-CCTV Security System 1-Tim  
Computers - Operations  
Door Replace-Overhead Doors  
Floor Scrubbing Machine  
Heat Pump-Service Areas-HPU-3  
Heat Pump-Service Areas-HPU-4  
Housekeeping Equipment-Misc. Yearly  
Life Safety Minor Upgrades-Yearly  
Light-Exterior Globe Fixture  
Light-Porte Cochere  
Light-Sports Courts  
Magnetic Locks/Pushbars - Ext Doors  
Pumps-Cooling Tower-20 hp  
Reserve For Contingencies  
Roof-Awning Front Entrance  
Roof-Canvas Awning-Walkway  
Sign Replacement

**A motion was made by Stevan Richards to approve the 2012 Reserve Fund expenditures as follows: Residential expenditures in the amount of \$643,216 and Common expenditures in the amount of \$423,430. The motion was seconded by Anthony Lifrieri and unanimously carried.**

The Board will provide a breakdown in the Maintenance Fee letter which will reflect the surplus return to Owners.

#### **UNFINISHED BUSINESS**

There was no unfinished business

#### **NEW BUSINESS**

##### **Board and Board Committee Expense Reimbursement Policy Update**

Based on feedback provided by Owners over the past year the Reimbursement Policy went through annual review and it was determined that it required updating to ensure further clarification and transparency of expenses. Two final proposals for the updated Expense Reimbursement Policy were provided: one by the Management Company, and the other a more detailed version of the current policy, presented by the Board.

**A Motion was made by Melissa Pericolosi to approve the updated Expense Reimbursement Policy for the Board of Directors and Board Committee Members, as recommended by the Board, and updated on October 10, 2011 as per the document attached to the minutes of record. The motion was seconded by Stevan Richards and passed by a majority of 4 'Yes' and 1 'No' vote.**

##### **Reorganization of Board Directors**

**A Motion was made by Stevan Richards to appoint Anthony Lifrieri as the Board President effective immediately. The motion was seconded by Frank Knox and unanimously carried.**

**A Motion was made by Frank Knox to appoint Stevan Richards as the Board Vice President effective immediately. The motion was seconded by Melissa Pericolosi and unanimously carried.**

**A Motion was made by Stevan Richards to appoint Melissa Pericolosi as the Board Treasurer/Secretary effective immediately. The motion was seconded by Anthony Lifrieri and unanimously carried.**

##### **Account Receivables: Expulsion Report**

The Board reviewed and discussed the current Expulsion Report and corresponding letters as presented.

**A motion was made by Frank Knox to provide a payment plan for eighteen (18) of the twenty-seven (27) weeks where Owners formally in the expulsion phase have requested appeals. Owners of the eighteen (18) weeks, who have not made any payment since 2010 will be allowed until January 15, 2012 to be paid in full on all past outstanding maintenance fees. Of the remaining nine (9) weeks, those Owners who have made some type of payment in 2011 will be allowed until May 1, 2012 to be paid in full on all past and current outstanding maintenance fees. If any of the Owners of the nine (9) weeks have any outstanding amounts owed by the May 1, 2012 date stated above, they will move into the next and final phase of expulsion. The motion was seconded by Stevan Richards and unanimously carried.**

##### **Establishment of 2012 Meeting Dates**

**A Motion was made by Stevan Richards to approve the date of May 25, 2012 at 10:00am for the Annual Owner Meeting. The motion was seconded by Anthony Lifrieri and unanimously carried.**

**A Motion was made by Stevan Richards to approve the date of October 8, 2012 for the Fall Board of Directors Meeting. The motion was seconded by Melissa Pericolosi and unanimously carried.**

**ADJOURNMENT**

**There being no further business, a motion was made by Stevan Richards to adjourn the meeting. The motion was seconded by Frank Knox and unanimously carried. The meeting adjourned at 4:02 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 Directors Meeting.**

**MARRIOTT VACATION CLUB INTERNATIONAL OF ARUBA COOPERATIVE ASSOCIATION  
2012 APPROVED OPERATING BUDGET  
FOR THE PERIOD BEGINNING JANUARY 01, 2012 AND ENDING DECEMBER 31, 2012**

Unit Weeks	2011 BUDGETED EXPENSES 11,227 (PER UNIT WEEK)	2012 APPROVED BUDGET 11,227 (PER UNIT WEEK)	2011 Budget vs. 2012 Budget		2012 RESIDENTIAL BUDGET \$	COMMERCIAL UNITS	TOTAL ANNUAL EXPENSES	2012 APPROVED BUDGET BY VILLA TYPE	
			INCREASE(DECREASE) \$	%				1 BEDROOM 6,437 (PER UNIT WEEK)	2 BEDROOM 4,790 (PER UNIT WEEK)
ACCOUNTING-CORP/REGIONAL	3.65	3.78	0.11	3.0%	42,200	-	-	3.17	4.55
ACCOUNTING-SITE	30.37	29.13	(1.24)	(4.1%)	328,988	-	-	24.56	35.26
ACCOUNTING	34.02	32.89	(1.13)	(3.3%)	369,188	-	369,188	27.73	39.81
ACTIVITIES	33.47	32.34	(1.23)	(3.7%)	361,978	-	361,978	27.19	39.03
ADMINISTRATION	64.08	66.56	2.48	3.9%	747,335	-	747,335	56.13	80.59
BAD DEBT EXPENSE	9.01	9.10	0.09	1.0%	102,110	-	102,110	7.87	11.01
BANK CHARGES	-	0.89	0.89	0.0%	10,001	-	10,001	0.75	1.08
BILLING AND COLLECTIONS	9.18	9.45	0.27	2.9%	108,148	-	108,148	7.97	11.45
CABLE TELEVISION	5.67	6.44	0.77	13.6%	72,315	-	72,315	5.43	7.80
COMMON EXPENSE ASSESSMENT	145.80	157.20	11.40	7.8%	1,764,884	252,589	2,017,473	157.20	157.20
CREDIT CARD FEE	20.55	22.15	1.60	7.8%	248,711	-	248,711	18.88	26.82
ELECTRICITY	125.85	140.83	14.98	11.9%	1,578,881	-	1,578,881	118.59	170.25
FRONT DESK	66.61	69.57	2.96	4.4%	781,008	-	781,008	58.68	84.22
HIGH SPEED INTERNET	-	-	-	0.0%	-	-	-	-	-
HOUSEKEEPING	128.77	128.50	(0.27)	(0.2%)	1,442,646	-	1,442,646	108.30	155.58
HUMAN RESOURCES	7.14	8.26	1.12	15.7%	92,735	-	92,735	8.26	8.26
MAINTENANCE	100.19	99.17	(1.02)	(1.0%)	1,113,349	-	1,113,349	89.82	120.06
MANAGEMENT FEE	95.84	96.79	0.95	1.0%	1,088,680	-	1,088,680	81.82	117.18
OTHER INCOME	(38.74)	(38.81)	(0.07)	(0.2%)	(435,700)	-	(435,700)	(32.72)	(46.99)
OWNER SERVICES	29.58	30.45	0.89	3.0%	341,862	-	341,862	30.45	30.45
POOL MAINTENANCE	5.69	5.72	0.03	0.5%	64,173	-	64,173	4.82	6.92
POSTAGE AND PRINTING	5.71	4.21	(1.50)	(26.3%)	47,268	-	47,268	4.21	4.21
WATER AND SEWER	51.80	55.52	3.72	7.2%	623,318	-	623,318	46.82	67.21
OPERATING FEE	900.00	936.93	36.93	4.1%	10,518,864	252,589	10,771,453	821.44	1,092.12
DEVELOPER SUBSIDY (CREDIT)	-	-	-	0.0%	-	-	-	-	-
DEFICIT RECOVERY / (SURPLUS RETURN)	-	(30.00)	(30.00)	0.0%	(336,829)	-	(336,829)	(25.30)	(96.52)
NET OPERATING FEE	900.00	906.93	6.93	0.8%	10,182,035	252,589	10,434,624	796.14	1,055.80
RESERVE FEE RESIDENTIAL	247.98	262.96	15.00	6.0%	2,952,481	-	2,952,481	221.78	318.37
RESERVE FEE COMMON	52.02	52.02	-	0.0%	584,029	83,585	667,614	52.02	52.02
SPECIAL ASSESSMENT - Common & Residential	-	-	-	100.0%	-	-	-	-	-
OPERATING AND RESERVE FEE	1,200.00	1,221.93	21.93	1.9%	13,718,525	336,174	14,054,699	1,069.92	1,426.18

**MARRIOTT VACATION CLUB INTERNATIONAL OF ARUBA COOPERATIVE ASSOCIATION  
2012 ESTIMATED COMMON ASSESSMENT BUDGET  
FOR THE PERIOD BEGINNING JANUARY 01, 2012 AND ENDING DECEMBER 31, 2012**

Unit Weeks	2011 BUDGETED EXPENSES 11,227 (PER UNIT WEEK)	2012 APPROVED BUDGET 11,227 (PER UNIT WEEK)	2011 Budget vs. 2012 Budget		2012 RESIDENTIAL BUDGET \$	COMMERCIAL UNITS	TOTAL ANNUAL EXPENSES	2012 APPROVED BUDGET BY VILLA TYPE	
			INCREASE(DECREASE) \$	%				1 BEDROOM 6,437 (PER UNIT WEEK)	2 BEDROOM 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	2.14	2.14	-	0.0%	24,026	3,439	27,465	2.14	2.14
BOARD OF DIRECTORS	2.64	3.00	0.36	13.6%	33,681	4,820	38,501	3.00	3.00
ELECTRICITY	2.30	2.44	0.14	6.1%	27,394	3,921	31,315	2.44	2.44
GROUNDS	21.42	22.82	1.40	6.5%	256,200	36,667	292,867	22.82	22.82
HOUSEKEEPING	3.05	2.95	(0.10)	(3.3%)	33,120	4,740	37,860	2.95	2.95
INCOME / TRANSFER / GROUNDS - TAX	11.22	11.27	0.05	0.4%	128,628	18,108	146,736	11.27	11.27
INSURANCE	10.73	14.58	3.85	35.9%	163,890	23,427	187,317	14.58	14.58
LEGAL	-	0.45	0.45	100.0%	5,052	723	5,775	0.45	0.45
LOSS PREVENTION / SECURITY	36.68	37.67	1.01	2.8%	422,921	60,528	483,449	37.67	37.67
MAINTENANCE	8.68	9.58	0.90	10.4%	107,555	15,393	122,948	9.58	9.58
MANAGEMENT FEE	13.25	14.29	1.04	7.8%	160,434	22,961	183,395	14.29	14.29
RENT INCOME	-	-	-	0.0%	-	-	-	-	-
PEST CONTROL	1.92	1.28	(0.64)	(33.3%)	14,371	2,057	16,428	1.28	1.28
REFUSE COLLECTION	2.61	2.62	0.01	0.4%	29,415	4,210	33,625	2.62	2.62
SITE ADMINISTRATION	5.30	5.53	0.23	4.3%	62,085	8,888	70,973	5.53	5.53
WATER AND SEWER	13.74	15.44	2.70	19.7%	184,672	26,416	211,088	16.44	16.44
OPERATING FEE	145.80	157.20	11.40	7.9%	1,764,884	252,589	2,017,473	157.20	157.20
RESERVE FEE	52.02	52.02	-	0.0%	584,029	83,585	667,614	52.02	52.02
OPERATING AND RESERVE FEE	197.82	209.22	11.40	5.8%	2,348,915	336,174	2,685,089	209.22	209.22

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 BOARD OF DIRECTORS EXPENSE REIMBURSEMENT POLICY**

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

Therefore, the following policy has been adopted:

***Lodging*** – Expenses will be reimbursed for up to seven (7) nights lodging at Aruba Ocean Club or another Marriott location. If a member elects to stay at another location 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 MVCI Board member rate. Reasonable bell service and housekeeping tips will also be reimbursed.

***Meals*** – Expenses will be reimbursed for up to eight (8) days. Expenses will be reimbursed at a per diem rate of \$100/day. Receipts are only required for meals or group events outside of the per diem and must be approved by the Board President or Treasurer.

***Transportation*** – Airfare will be reimbursed up to an amount equal to the lowest non-refundable coach ticket purchased at least 14 days in advance of the meeting (lowest fare with reasonable flight schedule and fewest stops). Reasonable airport transportation, with receipts, will be reimbursed; if a personal car is used, members will be reimbursed for airport parking, tolls and mileage at the prevailing IRS reimbursement rate (currently .55/mile). Lodging costs en-route at a reasonable rate will be reimbursed with proper receipts.

***Car Rental*** – Expenses, with proper receipts, will be reimbursed for up to seven (7) days for a rental car plus actual fuel costs or related cab fares if a member chooses not to rent a car.

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

Expense 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 or as soon as possible unless notified otherwise. Any discrepancies to the policy will be forwarded to the Aruba Ocean Club President or Treasurer for approval.

Changes to this policy must be approved by a majority of the members of the Board of Directors.

## **ARUBA OCEAN CLUB BOARD OF DIRECTORS COMMITTEE MEMBER EXPENSE REIMBURSEMENT POLICY**

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

Therefore, the following policy has been adopted:

**Lodging** – Expenses will be reimbursed for a number of nights equal to one night before the first meeting date the member attends until the night after the date of the last meeting (1 day meeting = 3 nights lodging) at Aruba Ocean Club or another Marriott location. If a member elects to stay at another location 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 MVCI Board member rate. Reasonable bell service and housekeeping tips will also be reimbursed.

**Meals – Meals** – Expenses will be reimbursed for up to eight (8) days. Expenses will be reimbursed at a per diem rate of \$100/day. Receipts are only required for meals or group events outside of the per diem and must be approved by the Board President or Treasurer.

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