

September 3, 2019

RE: Notice of Board Budget Meeting
MVC Trust Owners Association, Inc.

Dear MVC Trust Owner:

A regular meeting of MVC Trust Owners Association, Inc. (Trust Association), Board of Directors will be held at 10:30 a.m., Eastern time, on September 19, 2019, at Marriott's Lakeshore Reserve, Stanza Italia Meeting Room, 11248 Lakeshore Reserve Drive, Orlando, Florida 32837.

The primary purpose of this meeting is for the Board of Directors to approve the enclosed Trust Association [Proposed 2020 Budget](#). As a member of the Trust Association, your presence and comments are welcome at this meeting.

If you have any questions, please feel free to send an email to Judy Hill, Director of Finance, at mvctoa@vacationclub.com or you may send an inquiry via postal mail to:

MVC Trust Owners Association Board
Attention: Judy Hill, Director of Finance
6649 Westwood Boulevard
Orlando, Florida 32821

Sincerely,

Stacey Jackson-Rauso
Secretary/Treasurer
MVC Trust Owners Association, Inc.

**MVC Trust Owners Association, Inc.
Board of Directors Meeting**

September 19, 2019 at 10:30 a.m., Eastern Time

Marriott's Lakeshore Reserve
Stanza Italia Meeting Room
11248 Lakeshore Reserve Drive
Orlando, Florida 32837

Agenda

- Call to Order
- Establishment of Quorum and Roll Call
- Proof of Notice of Board Meeting
- Appointment of Recording Secretary
- Adoption of Budget Discussion Rules
- Approval of Agenda
- Approval of Minutes
- Financial Report
 - 2019 Financial Update
 - Proposed 2020 Budget
(Open Budget Discussion)
 - Approval of Proposed 2020 Budget
- New Business
 - Establishment of 2020 Board of Directors–Budget Meeting Date
- Adjournment

MVC TRUST OWNERS ASSOCIATION, INC.
Estimated Association Common Expense Budget
For the Period Beginning January 1, 2020 and Ending December 31, 2020

	2020 Annual Total	2019 Per Beneficial Interest	2020 Per Beneficial Interest	2019 BUDGET VS 2020 BUDGET INCREASE/(DECREASE)	
Revenues					
Assessments to Beneficiaries (excluding Exchange Company Dues) ⁽¹⁾	323,085,793	\$145.000	\$151.000	6.000	4.1%
Assessments to Beneficiaries (Exchange Company Dues) ⁽²⁾	33,316,350	15.937	15.571	(0.366)	-2.3%
Bank/Investment Interest	134,797	0.023	0.063	0.040	173.9%
Late Fees	1,039,109	0.474	0.486	0.011	2.1%
Maintenance Fee Interest Income	2,852,503	1.169	1.333	0.164	13.7%
Total Revenue	360,428,552	\$162.603	\$168.453	5.850	3.6%
Component Expenses					
Component Expenses ⁽³⁾	302,464,821	135.039	141.362	6.324	4.7%
Total Component Expenses	302,464,821	135.039	141.362	6.324	4.7%
Trust Association Administration					
Administration	1,369,370	0.547	0.640	0.093	16.5%
Audit Fee	17,117	0.009	0.008	(0.001)	0.0%
Bad Debt Expense	6,746,288	2.942	3.153	0.211	7.1%
Billing and Collections	1,793,652	0.788	0.838	0.050	6.3%
Board of Directors	19,257	0.007	0.009	0.002	0.0%
Component Services ⁽⁴⁾	1,585,474	0.698	0.741	0.043	5.7%
Credit Card Fee	4,984,497	2.320	2.330	0.010	0.4%
Division of the Condominium, Timeshare, and Mobile Homes Fee (FL)	99,012	0.042	0.046	0.004	0.0%
Exchange Company Dues ⁽⁵⁾	33,316,350	15.937	15.571	(0.366)	-2.3%
Income Tax	42,793	0.007	0.020	0.013	142.9%
Insurance	141,717	0.045	0.066	0.021	44.3%
Management Fee ⁽⁶⁾	4,904,057	2.354	2.292	(0.062)	-2.5%
Postage and Printing	402,253	0.195	0.188	(0.007)	-5.1%
Property Taxes ⁽⁷⁾	2,439,191	1.620	1.140	(0.480)	-29.6%
Trustee Fees	102,703	0.053	0.048	(0.005)	0.0%
Total Administration Expenses	57,963,731	\$27.564	\$27.090	(0.474)	-1.7%
Total Expenses	360,428,552	\$162.603	\$168.453	5.850	3.6%
Exchange Company Dues - per Beneficiary ⁽⁸⁾				\$205 or \$245 or \$270	

The following table is shown for illustrative purposes only:

Ownership Recognition Levels	Interests Purchased	Per Interest	Maintenance Fee	Exchange Company Dues	Total
Owner	6	\$151.00	906	\$205	1,111
Select	16	\$151.00	2,416	\$205	2,621
Executive	28	\$151.00	4,228	\$245	4,473
Residential	40	\$151.00	6,040	\$245	6,285
Chairman's Club	60	\$151.00	9,060	\$270	9,330

MVC TRUST OWNERS ASSOCIATION, INC.
2020 Estimated Association Common Expense Budget Notes
For The Period Beginning January 1, 2020 And Ending December 31, 2020

Notes to the 2020 Estimated Operating Budget

1) In addition to Assessments, international owners (not residing in the U.S. or Canada) of Interests may be assessed, at the Association's discretion, an annual fee (the "International Beneficiary's Surcharge") which relates to the added costs for postage, personal delivery, increased frequency of costs associated with long distance telephone calls, translation costs, additional costs for telefacsimile communications and labor costs for additional special support staff. The current International Beneficiary's Surcharge is \$34.50 annually. The International Beneficiary's Surcharge may, from time-to-time, be increased to reflect any increase in the cost of providing these services; provided, however, any such increase shall not exceed fifteen percent (15%) of the International Beneficiary's Surcharge in the immediately preceding year, unless approved by a majority of all Beneficiaries.

2) Exchange Company Dues are assessed on a "per owner" basis rather than a "per Beneficial Interest" basis. Accordingly, revenues and expenses associated with Exchange Company Dues are shown on the budget on a "per Beneficial Interest" basis for reference only. Exchange Company Dues may sometimes be referred to as Club Dues.

3) Component Expenses includes the Assessments paid by the Association to the owners associations which govern the resorts in which the Trust owns timeshare interests or units. Such Assessments may include fees payable to on-site operators other than Trust Manager who are engaged to manage resorts in which the Trust owns timeshare interests or units. Certain budgeted Common Expenses have been included in the Component Expenses section of the budget based on the assumption that a condominium structure will apply to the Trust Property(ies) from which such Common Expenses arise. In the event that such a condominium structure is not realized for one or more such Trust Properties, the applicable Common Expenses may be removed from Component Expenses and included in one or more separate line items in future Association budgets. For most Trust Properties, the Association is responsible for paying a portion of the amounts necessary for reserves under the Component Association's budget, and the Association's budget includes these reserve items in the Component Expenses. However, for some Trust Properties, the Association may budget for, and separately accrue, funds for reserve expenses which are not reflected in Component Expenses. The Association may be specially assessed from time to time by one or more Component Associations relative to common expenses in excess of the Component Associations' operating budget(s). This Association budget may include certain estimated Component Expenses which are subject to proposed Component Association budgets that have not yet been approved by the applicable Component Association board of directors.

4) Component Services include the incremental costs of services provided in connection with Beneficiaries' nightly use of Accommodations which are not otherwise included in the Component Expenses. These services may include, but are not limited to, housekeeping, engineering, loss prevention and front desk services necessitated by nightly use of Accommodations.

5) Exchange Company Dues includes costs and expenses related to owner education, reservation services, owner communications and other programs and services provided by the Exchange Company. Exchange Company Dues may be increased from time to time as provided in the Trust Plan Documents. Pursuant to the Marriott Vacation Club Destinations Exchange Program MVC Trust Affiliation Agreement, Exchange Company has been delegated the authority by the Association to provide all services incidental to the reservation and use of the Trust Property. Exchange Company Dues charged to and paid by the Association to Exchange Company may include expenses incurred through affiliates of Exchange Company. Certain of the expenses included in the Exchange Company Dues charged to and paid by the Association to Exchange Company, including expenses for Owner Services, may reflect economies of scale associated with the number of projects or affiliated programs managed by Exchange Company and the affiliated relationship between Exchange Company and Trust Manager. Therefore the amounts charged for such expenses may reflect pricing that is different than what equivalent services would cost if charged on an independent case-by-case basis.

6) In accordance with the MVC Trust Management Agreement, this Management Fee is equal to 10% of all money that Trust Manager is required to collect pursuant to the Association's annual budget (exclusive of the Management Fee itself and Component Expenses), but inclusive of any ad valorem taxes assessed directly to the Association or Beneficiaries, and for special assessments not part of the Association's annual budget.

7) The estimated real estate taxes for the Association are projected to be \$2,439,191. The real estate taxes are for the Marriott's Newport Coast Villas, Marriott's Timber Lodge at Lake Tahoe, Marriott's Desert Springs Villas, Marriott's Desert Springs Villas II, Marriott's Shadow Ridge, Marriott's Frenchman's Cove, The Ritz-Carlton Club, St. Thomas - Suites and Marriott's Grand Residence Club Lake Tahoe Accommodations because the Component Expenses for California and U.S. Virgin Islands properties do not include real estate taxes. The Association will pay these property taxes to the appropriate taxing authority for the jurisdiction in which the California and U.S. Virgin Islands Accommodations are located.

8) Exchange Company Dues are billed at a rate of either \$205, \$245 or \$270 per Beneficiary, depending on the Beneficiary's ownership recognition level.

2020 Reserve Analysis and Notes:

(a) Florida Law requires the Association to maintain reserves for deferred maintenance and capital expenditures, based on the estimated life and replacement cost of each reserve item. Actual expenditures may vary from the estimated replacement costs.

The estimated lives and estimated replacement costs for each of the components are as follows:

- * Roof Replacement – includes both unit roof replacement and common area.
- * Furniture and Fixtures – includes replacement of unit furnishings, equipment, and appliances.
- * Building Painting – includes unit building painting.
- * External Building Maintenance – includes unit building-related equipment items.
- * Pavement Resurfacing – includes pavement resurfacing and striping.
- * Common Area Rehabilitation – provides for site lighting, irrigation systems, and common area maintenance.

Components	Estimated Useful Life in Yrs	Estimated Replacement Cost (c)	Estimated Remaining Useful Years	Anticipated Beginning Fund Balance As Of January 1, 2020	Contribution For 2020 (d)
Roof Replacement	20	-	19	-	-
Furniture and Fixtures	8	-	7	-	-
Building Painting	8	-	7	-	-
External Building Maintenance	10	-	9	-	-
Pavement Resurfacing	12	-	11	-	-
Common Area Rehabilitation	8	-	7	-	-
TOTAL					

(b) Under Section 721.13(3)(c)2, Florida Statutes, reserve funds may be reallocated among the reserve accounts by the Board without the consent of Beneficiaries.

(c) The components' actual replacement costs and useful lives may vary from the estimated amounts. If additional funds are needed, the Board may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

(d) The Association is responsible for paying a portion of the amounts necessary for reserves under each Component Association's budget. The Association's budget includes these reserve items in the Component Expenses; provided, however, that some Component Associations may determine to provide less than full funding of reserves to the extent permitted under applicable law. Please refer to Exhibit A for a listing of Non-Florida Component sites.

(e) On May 2, 2019, at a duly called meeting of the Association, a majority of the Beneficiaries voting in person or by limited proxy voted, in accordance with Article VI, Section 2(n), of the Association's Bylaws, to approve lower reserve funding than would otherwise be required by applicable law for the Florida Component sites.

Notes from 2018 Audit: Certain services, including accounting and administration, are provided by MRHC and allocated to the Association based on the number of unit weeks (based on points conversion), as a percentage of total unit weeks (based on points conversion). In addition, Marriott Vacations Worldwide Corporation pays all invoices on behalf of the Association for which the Association reimburses Marriott Vacations Worldwide Corporation. The amount due (to) from Marriott Vacations Worldwide Corporation as of December 31, 2018 and 2017 was \$(823,924) and \$60,026, respectively, which is included in the accompanying balance sheets.

MRHC collects annual maintenance fees on behalf of the Association. The amount of maintenance fees receivable due from MRHC at December 31, 2018 and 2017 was \$8,582,133 and \$5,980,575, respectively, which is included in the accompanying balance sheets.

Pursuant to the Bylaws, each Beneficiary is responsible for a share of the Common Expenses based, in part, on the number of Points associated with such Beneficiary's Interest(s) divided by the total Points for Sale attributed to Trust Property for which a Notice of Use Rights has been issued. As of September 19, 2019, there were 496,831,706 such Points for Sale and 514,917,119 Points for Use.

Exhibit A

As required by Florida law, the table below provides the following information for the non-Florida sites in the MVC Trust: (i) the amount of reserve funding required by the law of the situs state for the interests at such component owned by MVC Trust, and (ii) the amount of reserve funding actually provided (if any) in the MVC Trust Association's budget for such interests. The Association is responsible for paying a portion of the amounts necessary for reserves under the Component Association's budget and the Association's budget includes these reserve items in the Component Expenses.

The amounts in this disclosure have been estimated based on the timeshare interests anticipated to be held by the MVC Trust as of 10/5/2019:

	Reserve funding Required by Situs State (i)	2020 Budgeted Reserve Funding (ii)	Variance
Barony Beach Club	\$ -	\$820,038	\$820,038
Birch	-	289,966	289,966
Canyon Villas	-	1,137,446	1,137,446
Desert Springs	3,638,673	3,501,730	(136,943)
Douglas	-	289,644	289,644
Evergreen	-	430,045	430,045
Fairway Villas	-	1,049,505	1,049,505
Frenchman's Cove	-	600,732	600,732
Grand Chateau	-	5,853,694	5,853,694
Grande Ocean	-	764,010	764,010
GRC Lake Tahoe	-	585,538	585,538
Harbour Club	-	296,800	296,800
Harbour Pointe	-	552,046	552,046
Heritage Club	-	352,310	352,310
Kauai Beach Club	352,735	750,678	397,943
Kauai Kalanipu'u	508,176	1,224,090	715,914
Ko Olina Beach Club	-	2,916,641	2,916,641
Manor	-	541,006	541,006
Maui	743,989	2,391,209	1,647,220
Mayflower	-	534,395	534,395
Monarch	-	565,151	565,151
MountainSide	-	570,132	570,132
Mountain Valley Lodge	-	385,525	385,525
Newport Coast	3,466,034	4,617,219	1,151,186
OceanWatch	-	1,141,833	1,141,833
RCC Lake Tahoe	-	200,307	200,307
RCC San Francisco	-	438,391	438,391
RCC St. Thomas	-	557,168	557,168
RCC Vail	-	1,268,380	1,268,380
MVC San Diego	-	1,957,690	1,957,690
Shadow Ridge	4,055,170	4,054,948	(222)
Summit Watch	-	533,924	533,924
Sunset Pointe	-	168,718	168,718
SurfWatch	-	540,251	540,251
Timber Lodge	2,581,572	2,303,914	(277,658)
Waikoloa	-	1,556,441	1,556,441
Waiohai Beach Club	170,568	590,450	419,882
Willow Ridge	-	1,115,985	1,115,985
Total Reserves	\$15,516,916	\$47,447,950	\$31,931,034