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FAX (202) 861-1783
WRITER'S DIRECT DIAL NUMBER

(202) 861-1504

June 3, 1999

N. Bradley Litchfield, Esq.
Associate General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

AOR 1999-15

Re: Request for Advisory Opinion – American Resort Development Association

Dear Mr. Litchfield:

Thank you for your quick response to our letter on behalf of the American Resort Development Association ("ARDA"). Enclosed with this letter are ARDA-ROC Articles of Organization marked as ARDA-AO 000001 through ARDA-AO 000004, which will replace the copy you presently have. Replacement Page 2 of the ARDA-ROC Articles of Organization clarifies the proposed size of the new Executive Group at eleven (11).

ARDA is seeking an advisory opinion on the membership status of the individual timeshare owners who decide to join ARDA-ROC. We are not seeking an advisory opinion on the membership status for purposes of the Act for the other ARDA membership categories listed on pages 000013 and 000014, Article 3, Sections 1 through 6.

It is our assumption that an individual timeshare owner member would be elected to the ARDA-ROC Executive Group by these individual members, but any individual, member or not, could be elected to the Executive Group. The Articles of Organization provide that the Executive Group may nominate a candidate or candidates for election by timeshare owner members to the Executive Group. That power is not exclusive and individual timeshare owners, local ARDA-ROC Chapters or groups of such individuals could nominate candidates for election to the Executive Group. Since the membership of ARDA-ROC is very geographically dispersed, it seems unlikely that local chapters or individual members would often seek to nominate an individual to the Executive Group. This provision is there simply to ensure someone is nominated for this position and that an election does proceed.

Brad Litchfield, Esq.
Federal Election Commission
June 3, 1999
Page 2

The documents marked AO 000005-000007 are part of a sample promotional package distributed by Marriott Vacation Club International to some of its timeshare owners regarding ARDA-ROC. The \$3.00 membership dues have been sought at the same time as the various resorts seek payment of annual maintenance fees. The ARDA-ROC \$3.00 dues are an additional \$3.00 which must be added to the standard maintenance fees by the timeshare owners if they wish to join ARDA-ROC. Individual timeshare owners purchase resort usage for interval weeks. Although this piece (AO 000005) appears to imply that owners who have more than a single week would be required to make a larger dues payment, that is not the present or anticipated future practice for ARDA-ROC dues.

If you have any additional questions, please do not hesitate to contact me by telephone or e-mail. Thank you for your assistance in this matter.


Sincerely,



E. Mark Braden

EMB:rvn

Enclosures

 **Bradley Litchfield**
05/27/99 03:34 PM



To: mbraden@bakerlaw.com
cc: mbraden@baker/hostetler.com
Subject: Letter dated May 19, 1999, on behalf of American Resort Development Association

Mr. Braden:

I called your direct dial number (202-861-1504) earlier this afternoon and learned that you are out of the office until next Tuesday. I have just completed a preliminary OGC review of your submission pursuant to 11 CFR 112.1(d). I called to discuss with you several aspects of the subject letter and its enclosures that need either correction or explanation or clarification.

Here is a quick list and we can discuss in more detail next week upon your return, if you wish. My number is 694-1650. I will also gladly take an email response, if you wish. However, in either case, you will need to supplement your original submission with a signed letter on the following points.

- 1) One of your enclosures, at 000028--000034, appears to be missing several pages. Apparently the original was a two-sided document, but only the odd-numbered pages were copied and submitted.
- 2) I assume ARDA is only seeking an AO on the membership status of the individual time share owners who join as "members" of ARDA-ROC by paying an annual \$3 fee? In other words, you are not seeking an AO on the membership status, for FECA purposes, of the other member categories listed at pages 000013 and 000014; Article III, sections 1 through 6.
- 3) It is not clear whether the size of the ARDA-ROC Executive Group is 9 or 10 individuals. See pages 000001 and 000002. One reference says 9 and another says 10. Is the person who is elected by the timeshare owner members for a two year term on the ARDA-ROC Executive Group one of the 9 (or 10) members of that Group? See 4.c. on page 000002.
- 4) Is any person eligible to be elected by the timeshare owner members to the above cited Group? Or must those members elect a person from among themselves to serve on the Group?
- 5) The Group apparently has the power to nominate one or more candidates for election to the Group by the timeshare owner members. 4.c. on page 000002. Confirm? Is that power exclusive? Does any other person or group have power to nominate candidates for election to the Group? Explain. For example, could the timeshare owner members themselves (or through a committee they formed for that purpose) nominate one or more individuals for election by them to the Group?
- 6) Please explain or clarify or restate the meaning of this language on page 000005: "You have an opportunity to join this fine organization by directing \$3.00 per interval week owned through your payment of maintenance fees to dues."

Thanks for your assistance. I am, of course, available to discuss any of the above by telephone, if you wish.

N. Bradley Litchfield
Associate General Counsel/Policy
Federal Election Commission

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(202) 861-1504

May 19, 1999

Brad Lichtfield, Esq.
Associate General Counsel
Federal Election Commission
999 East Street, N.W.
Washington, DC 20463

Re: Request for Advisory Opinion – American Resort Development Association

Dear Mr. Lichtfield:

The law firm of Baker & Hostetler LLP has been retained by the American Resort Development Association ("ARDA") to request an Advisory Opinion from the Federal Election Commission ("Commission"), pursuant to 2 U.C.S. § 437f(a) and 11 C.F.R. §112.1(a). ARDA is requesting an Advisory Opinion in response to its questions on the legality of specific proposed ARDA's activities under the Federal Election Campaign Act of 1971, as amended (the "Act") and Commission regulations.

Background Information

ARDA is a District of Columbia non-profit corporation, organized as a trade association under the Internal Revenue Code.¹ ARDA is a membership organization whose bylaws specifically provide for a number of classes of members.²

¹ I.R.C. § 501(c)(6).

² Bylaws of American Resort Development Association, Article III-Category of Membership.

Section 1. Membership Qualifications
Section 2. Active Membership;
Section 3. Associate Membership;

(continue)

ARDA's purposes include uniting persons engaged in and/or interested in the resort development industry and timeshare issues. ARDA seeks to provide leadership on issues of concern to members of the association.³

In 1989, ARDA created the ARDA-Resort Owners Coalition ("ARDA ROC"). ARDA-ROC is governed by ARDA-ROC's nine-member Executive Group and is subject to the Bylaws of ARDA and the ARDA-ROC Policy and Procedures⁴ written by ARDA. ARDA-ROC is dedicated to preserving, protecting, and enhancing the ownership of vacation resort properties and the interest of individual owners. Individual timeshare owners have been eligible to join the Resort Owners Coalition by paying an annual \$3.00 fee to ARDA-ROC. ARDA and its members have actively solicited these funds from individual timeshare owners. Approximately 335,000 individuals have joined the Coalition. ARDA-ROC engages tax, banking and environmental experts in Washington, D.C. and around the country to represent and defend timeshare owners on a wide range of federal and state issues that directly affect the value of members' property and the enjoyment of their vacation experience. ARDA-ROC funds have also assisted in increasing the professionalism of resort property management. Included with this Advisory Opinion request are a number of examples of the ROC Report (The ARDA -Resort Owners Coalition Newsletter) and various promotion and communication materials which describe in detail the activities of ARDA-ROC on behalf of its members.⁵ These materials are provided to the Commission so that the Commission may have an understanding of the nature and scope of the organization's mission and activities. It is ARDA's intent that ARDA-ROC's mission and activities continue unchanged.

ARDA proposes a minor modification to the organizational structure and membership operation of ARDA-ROC. Although the mission and policy activities would be unaltered, the

(continued)

Section 4. Affiliates Membership.

- a) **Limited Supply Membership;**
- b) **International Membership;**
- c) **Property Management;**
- d) **Non profit membership;**
- e) **Life for Honorary Membership.**

Section 5. Individual Memberships;

Section 6. Student Division and Student Membership.

ARDA-AO 000012-000024.

³ Bylaws of ARDA Article II Section 1 ARDA-AO 000012.

⁴ Policy and Procedures of ARDA-ROC Owners Coalition, as amended February 25, 1999 by the ARDA-ROC Executive Group. ARDA-AO 000008-000011.

⁵ ARDA-AO 000005, 000006, 000007, 000025-000062.

ARDA-ROC structure would have a more formal cast. The Policy and Procedures of ARDA-Resort Owners Coalition would become the ARDA-ROC's Articles of Organization. The individual ARDA-ROC members would be granted a more direct role in its operations and local chapters could be formally recognized.

The substantive changes in the proposed new ARDA-ROC Articles of Organization⁶ would provide that local timeshare owners associations could join ARDA-ROC as local ARDA-ROC chapters. A local timeshare owners association would be eligible to become a local chapter of ARDA-ROC if:

- (a) it completes the chapter membership application form;
- (b) it requires its individual owner members to pay regular dues to the local chapter, a portion of which is transmitted as the dues of the local chapter and the individual owner member;
- (c) it assists in the transmission of the ARDA-ROC newsletter and/or other ARDA-ROC membership materials;
- (d) it assists in the conduct of the biannual membership election to the ARDA-ROC Executive Group; and
- (e) it assists in advancing the interests of timeshare owner members in their state and nationally.

Applications for local chapter membership would be subject to approval by the ARDA-ROC Executive Group. ARDA-ROC membership would be available only to Timeshare owners who pay regular dues as set forth by the ARDA-ROC Executive Group and local chapters (if any is available at their resort). Individual timeshare owner members would directly elect an individual to the ARDA-ROC Executive Group for a two-year term. ARDA-ROC Executive Group responsibilities would expand to include the selection of one member of the Executive Group to serve on the ARDA Board of Directors.

Additionally, there would be modifications to the ARDA Bylaws to conform to the proposed new ARDA-ROC Articles of Organization. These changes would be in two areas:

- (a) An expansion of ARDA membership categories in Article III to include ARDA-ROC members as an additional affiliated membership category; and
- (b) The selection by ARDA-ROC Executive Group of a member to serve on the ARDA Board of Directors.

⁶ Proposed ARDA-ROC Articles of Organization. ARDA-AO 000001.

Questions Presented

The questions from ARDA for the Commission are whether after the enactment of these changes: (1) Are the members of ARDA-ROC "members" as defined by the Commission and its regulations?; and (2) Will the Act permit the solicitation of ARDA-ROC members by the existing ARDA PAC and/or an ARDA-ROC PAC that might at a future date be created following the adoption of the proposed changes?⁷ Any PAC solicitations to any ARDA-ROC member would conform to the Commission's applicable notice requirements.⁸ ARDA-ROC proposes a possible PAC solicitation only of individuals who have accepted the organization's invitation for membership in ARDA-ROC. Members must pay the required regular dues to be a member and be entitle to vote directly for a member of the ARDA-ROC Executive Group. The ARDA-ROC Executive Group will select one member to serve on the ARDA Board of Directors. The ARDA Board of Directors is the highest governing body of the association.

If you have additional questions or desire additional materials regarding the questions posed in this request, please do not hesitate to contact me. We look forward to the Commission's guidance on this matter.

Sincerely,



E. Mark Braden

EMB:rvn

⁷ The questioner assumes that any separate ARDA-ROC PAC would be affiliated with ARDA-PAC under the Commission's regulations 11 C.F.R. § 100.5 (g)(1)(2).

⁸ 11 C.F.R. §114.5(a)(3)-(5).

D R A F T

AMERICAN RESORT DEVELOPMENT ASSOCIATION

**ARTICLES OF ORGANIZATION
ARDA-RESORT OWNERS COALITION**

A. ADMINISTRATION AND STRUCTURE

1. **ARDA-ROC is a membership organization chartered by ARDA. It operates, subject to these Articles and the Bylaws of ARDA, as an affiliated sub-organization of ARDA.**
2. **Membership – Timeshare owners who accept the organization's invitation for membership and pay such regular dues as provided for by the ARDA-ROC Executive Group and any local chapters of ARDA-ROC (if available at their resort) shall be members of ARDA-ROC and affiliated members of ARDA.**
3. **Local Chapter - A local timeshare development owners association shall be eligible to become a local chapter of ARDA-ROC if:**
 - (1) **it completes the chapter membership application form;**
 - (2) **it requires its individual owner members to pay regular dues to the local chapter, a portion of which is transmitted as the dues of the local chapter and the individual owner member;**
 - (3) **it assist in the transmission of the ARDA-ROC newsletter and/or other ARDA-ROC membership materials;**
 - (4) **it assists in the conduct of the bi-annual membership election to the ARDA-ROC Executive Group; and**
 - (5) **it assists in advancing the interests of timeshare owner members in their state and nationally.**

Application for local chapter membership is subject to approval by the ARDA-ROC Executive Group.

4. **Executive Group - ARDA-ROC shall be governed by an eleven-person ARDA-ROC Executive Group. All decisions affecting administration and funding are subject to approval by the ARDA-ROC Executive Group.**

- a. **Automatic membership on the ARDA-ROC Executive Group shall be held by the Chairman of ARDA-ROC, who shall chair the ARDA-ROC Executive Group, the Legislative Council Chair, the Chairman of ARDA-PAC and the President of ARDA. These automatic members of the Executive Group shall serve for the duration of their term in office.**
 - b. **In addition, the ARDA-ROC Executive Group shall include six members, who shall be appointed by the ARDA-ROC Chairman for two-year staggered terms, provided that at least five of the eleven members of the Executive Group, including automatic appointments, represent property owners and owners associations. Members of the ARDA-ROC Executive Group appointed by the Chairman may serve two consecutive terms of office and may be removed from their office by pattern of non-participation or non-attendance. The ARDA-ROC Chairman may also appoint as many ex officio members as shall be determined by the ARDA-ROC Chairman.**
 - c. **Timeshare owner members shall elect an individual to the ARDA-ROC Executive Group for a two-year term. The Executive Group may nominate candidate(s) for this bi-annual election by the ARDA-ROC members.**
5. **No decision shall be taken with regard to receipt or disbursement of funds from ARDA-ROC without the approval of the Executive Group, or persons specifically delegated authority from the Executive Group, except as set forth herein.**
 6. **The ARDA-ROC Executive Group shall meet at each meeting of the ARDA-Board of Directors and at such other times as shall be necessary upon the call of the Chairman or the request of five members of the Executive Group.**
 7. **The ARDA-ROC Executive Group shall select one member of the Executive Group to serve on the ARDA Board of Directors, the highest governing body of ARDA.**
 8. **ARDA-ROC Executive Group will be administered in Washington, DC in the offices of ARDA by a Director and such other professional, administrative and clerical staff are necessarily appointed by the President of ARDA. The Director will have day-to-day supervision of the organization and ARDA-ROC staff subject to authority granted by the ARDA-ROC Executive Group.**
 9. **All ARDA employees who hold, deposit or withdraw funds shall be bonded. ARDA shall cause to be issued an Errors and Omissions insurance policy in a sufficient and reasonable amount on voting members of the ARDA-ROC Executive Group. All ARDA-ROC funds will be deposited in FDIC-insured financial institutions in accounts not to exceed federal deposit insurance limits.**

Checks drawn on the ARDA-ROC account shall require two signatures of individuals designated by the ARDA-ROC Executive Group if said checks exceed \$2,500.

10. The books of ARDA-ROC shall be examined annually and certified as to their accuracy by an audit committee composed of non-ARDA individuals and by an outside Certified Public Accountant, who shall render a report to the ARDA-ROC Executive Group.
11. A quorum of five members is required for any decision to be taken by the ARDA-ROC Executive Group, whether such quorum is constituted by meeting, telephone or fax communication. "Approval," including approval of changes to these Articles, shall mean approval by a five-member majority of the ARDA-ROC Executive Group.
12. The amount ARDA-ROC membership dues and contributions shall be reviewed and set by the ARDA-ROC Executive Group. Regular dues are required of all members and local chapters

B. BUDGET AND EXPENDITURES

1. The ARDA-ROC Director will present each year a proposed budget for consideration and adoption with any changes that might be approved by the Executive Group. The approved budget shall be presented to the ARDA Board of Directors at their next regularly scheduled meetings. The ARDA-ROC budget shall be considered approved unless disapproved by a two-thirds majority of the ARDA-ROC Executive Group. The budget arrived by the Executive Group will govern expenditures.
2. ARDA-ROC is authorized to contract annually with ARDA for such professional, administrative and clerical services, office space and utilities and other support as may be needed. This contract will specify terms and conditions, hours and limitations and amounts to be paid and shall be approved by the Executive Group.
3. A reserve and contingency fund shall be established and shall include in cash budget approved by the Executive Group. Reserve expenditures require approval by the Executive Group.
4. Expenditures for state/local lobbying and public education projects require approval by the Executive Group.
5. The Director shall be delegated the authority to make all other expenditures pursuant to an approved budget.

- 6. The Executive Group shall approve a standard form Request for Grant Funding which shall be available on request, along with instructions for preparing and submitting the form and a description of the process for gaining approval.**
- 7. Prior to forwarding any research funds to the ARDA International Research Foundation, any and all ARDA-ROC monies for research must be approved by the ARDA-ROC Executive Group. The Foundation shall agree to spend all ARDA-ROC research monies in accordance with the stated mission and purpose of the ARDA-ROC Executive Group. Specifically, ARDA-ROC funds shall only be used for projects that relate to owner members' issues and concerns.**
- 8. The President of ARDA and the Chairman of ARDA-ROC, acting together, are granted the authority to approve an expenditure of \$10,000.00 or less in an emergency situation. An emergency situation is defined as any circumstances which require that some action be taken within 48 hours with the aim to prevent activities potentially harmful to timeshare owners and/or exchangers. Once funds are approved by the President of ARDA and the Chairman of ARDA-ROC, the ARDA-ROC Executive Group must be notified in writing of the emergency situation expenditure within three (3) business days.**

ARDA SUPPORT

American Resort Development Association (ARDA) is the industry association representing condominium developments worldwide and is widely supported by Marriott owners. ARDA tackles the common issues all interval ownership properties share. Recently, ARDA took the lead in fighting legislation that would generate additional expenses for interval owners through various forms of taxation. You have an opportunity to join this fine organization by directing \$3.00 per interval week owned through your payment of maintenance fees to dues. We strongly encourage your joining this important organization. Look for the ARDA-Resort Owners Coalition (ARDA-ROC) information that will accompany your maintenance fee statement.

Dear Vacation Club Owner:

Year after year, vacation owners are a target for federal, state and local lawmakers searching for various ways to raise revenue. So, who is working to protect your interests as an owner? Marriott Vacation Club International in coordination with the American Resort Development Association's Resort Owners Coalition (ARDA-ROC).

The American Resort Development Association is a 29-year-old industry trade association based in Washington, D.C. Representing the resort industry through lobbying and serving as a public/consumer advocacy group, ARDA features a unique affiliated subgroup called ARDA-ROC. This organization is designed to preserve, protect and enhance vacation ownership for you, the vacation owner, through legislative advocacy.

The concept is simple – Owners across the country join together to gain collectively what they are unable to achieve on their own. **With unity comes strength!** ARDA-ROC is funded solely by you, the owners, through voluntary dues. The funds are donated through your condominium association at the time of annual assessment and are forwarded to ARDA-ROC.

Whether the IRS attempts to tax capital reserve funds of owners associations, or the state of South Carolina attempts to impose a 7% sales tax based on the fair market rental value on vacation exchanges, ARDA-ROC is your voice! ARDA-ROC uses the funds raised from vacation owners across the country to fund a network of specialists who track and act on pertinent legislative/regulatory activity at all levels of government.

Recently, ARDA-ROC was instrumental in minimizing the impact of a tax assessment on Kauai Beach Club owners. The state of Hawaii originally proposed an assessment of \$12.00-\$18.00 per day, based on unit size. Through the lobbying efforts and influence of ARDA-ROC, that tax assessment was decreased to \$2.00-\$5.00 per day, based on unit size. This is just one example of the many ways ARDA-ROC fights the battles that impact your ownership everyday.

Take a stand against unfair taxation and legislation that will affect what you ultimately pay for your vacation experience. **Join your fellow owners!** For only \$3.00 a year (25 cents a month), you can become a member of a powerful organization dedicated to protecting your interest as a vacation owner.

To learn more about ARDA, you can log-on to the Internet at <http://www.arda.org>.

Sincerely,

Stephen P. Weisz
President

ARDA-AO 000006

AMERICAN RESORT DEVELOPMENT ASSOCIATION

Dear Timeshare Owner:

Year after year timeshare owners are a target for federal, state and local lawmakers searching for various ways to raise revenue. ***So, who is working to protect your interests as a timeshare owner? The American Resort Development Association's Resort Owners Coalition (ARDA-ROC).***

ARDA is a 29-year old Washington, D.C. based trade association representing the resort industry through lobbying, public/consumer advocacy and a unique affiliated sub-group called ARDA-ROC. This organization's purpose is to preserve, protect and enhance vacation ownership for you, the timeshare owner.

The concept is simple – owners across the country join together to gain collectively what they are unable to achieve on their own. ***With unity comes strength!*** ARDA-ROC is funded solely by timeshare owners, just like you, through ***voluntary*** dues. The funds are collected by your resort association in conjunction with your annual assessment and are forwarded to ARDA-ROC in Washington, D.C., where they are used to benefit timeshare owners across the country.

Any negative legislative activity impacting timeshare ownership can affect you, whether the battle is in Hawaii, Florida or in your home resort's state. In the last few years, the number of proposals targeting timeshare owners has been on the rise. ***The majority of these initiatives have not survived. The reason: ARDA-ROC!***

Whether it is a fight against the IRS attempting to tax capital reserve funds of timeshare homeowners' associations or the state of New Hampshire attempting to impose an 8% rooms and meals tax on timeshare annual assessments, ARDA-ROC is there! ARDA-ROC uses the funds raised from timeshare owners across the country to fund a network of specialists who track and act on pertinent legislative/regulatory activity at all levels of government.

Take a stand against unfair taxation and legislation that will affect what you ultimately pay for your vacation experience. **Join your fellow owners!** For only \$3.00 a year (25 cents a month), become a member of a powerful organization solely dedicated to protecting your interests as a timeshare owner.

Sincerely,

Cynthia Huheey, ARDA President

ARDA-AO 000007

Policy and Procedures

ARDA-Resort Owners Coalition

A. Administration and Structure

1. ARDA-ROC is chartered by ARDA and operates subject to the Bylaws of the Association. Decisions affecting administration and funding are subject to approval by the ARDA-ROC Executive Group.
2. ARDA-ROC shall be governed by a nine-person ARDA-ROC Executive Group.
 - a. Automatic membership on the ARDA-ROC Executive Group shall be held by the Chairman of ARDA-ROC, who shall chair the ARDA-ROC Executive Group, the Legislative Council Chair, the Chairman of ARDA - PAC and the President of ARDA. These automatic members of the Executive Group shall serve for the duration of their term in office.
 - b. In addition, the ARDA-ROC Executive Group shall include five members, who shall be appointed by the ARDA-ROC Chairman for two-years staggered terms, provided that at least five of the nine members of the Executive Group, including automatic appointments, represent property owners and owners associations. Members of the ARDA-ROC Executive Group appointed by the Chairman may serve two consecutive terms of office and may be removed from their office by pattern of non-participation or non-attendance. The ARDA-ROC Chairman may also appoint as many *ex officio* members as shall be determined by the ARDA-ROC Chairman.
3. No decision shall be taken with regard to receipt or disbursement of funds from ARDA-ROC without the approval of the Executive Group, or persons specifically delegated authority from the Executive Group, except as set forth herein.
4. The ARDA-ROC Executive Group shall meet at each meeting of the ARDA Board of Directors and at such other times as shall be necessary upon the call of the Chairman or the request of five members of the Executive Group.
5. ARDA-ROC will be administered in Washington, DC in the offices of ARDA by a Director and such other professional, administrative and clerical staff are necessarily appointed by the President of ARDA. The Director will have day - to - day

Amended February 25, 1999 by the ARDA-ROC Executive Group

ARDA-AO 000008

Policies and Procedures
ARDA-Resort Owners Coalition
Administration and Structure
Page Two

supervision of the program and ARDA-ROC staff subject to authority granted by the ARDA-ROC Executive Group.

6. *ARDA shall maintain an Association Professional Liability insurance policy providing for "Directors & Officers" and "Errors and Omissions" coverage which extends to the ARDA ROC Executive Group. The limits of coverage shall be determined by the ARDA President and disclosed to members of the Executive Group. All ARDA ROC funds will be deposited and invested pursuant to the ARDA ROC Investment Policy. This policy is approved by the ARDA ROC Executive Group upon the recommendation of the ARDA Association Finance and Audit Committee. Checks drawn on the ARDA ROC account shall require two signatures for checks in excess of \$5,000.00. Signators for the ARDA ROC account shall be designated by the ARDA President.*
7. *The books of ARDA ROC shall be audited annually by an independent Certified Public Accountant, selected by the ARDA President. The draft ARDA ROC audit reports shall be forwarded to the ARDA Association Finance and Audit Committee, and the ARDA ROC Executive Group for review prior to final printing.*
8. A quorum of five members is required for any decision to be taken by the ARDA-ROC Executive Group, whether such quorum is constituted by meeting, telephone or FAX communication. "Approval," including approval of changes to these policy and procedures, shall mean approval by a five member majority of the ARDA-ROC Executive Group.

B. Budget and Expenditures

5. ARDA-ROC Budget

- a. *The ARDA President shall oversee the preparation of the proposed budget for income and operating expenses by the ARDA ROC Director. The proposed budget may include gross projections for Discretionary Funding, but all funding requests for discretionary expenses shall be individually approved by the ARDA ROC Executive Group pursuant to paragraph B.6. The ARDA ROC Chairman shall review the proposed budget with the ARDA President and staff and make recommendations to*
Amended February 25, 1999 by the ARDA-ROC Executive Group

the ARDA ROC Executive Group regarding its acceptance and approval.

**Policy and Procedures
ARDA-Resort Owners Coalition
Budget and Expenditures
Page Three**

The proposed budget shall then be forwarded to all members of the ARDA ROC Executive Group for final approval. Final approval by the ARDA ROC Executive Group shall be completed prior to August 31st of each year. [The ROC fiscal year begins October 1st.] Although annual budgets are prepared by ROC staff and approved by the Executive Group based on the best information available at the time, priorities can change and resources may need to be shifted to meet those priorities or demands. The ARDA President may manage the ROC resources to meet the needs of ARDA ROC and line items for operating expenses may be spent in excess of, or less than the amounts budgeted as long as the net projected income before discretionary spending shall be not be less than that budgeted. The budgets for the line items shall remain unchanged from that approved.

- b.** *If the net projected operating income before discretionary spending is anticipated to be a deficit, the ARDA President shall notify immediately, the Chairman of the ARDA ROC Executive Group with notice to all members of the ARDA ROC Executive Group. The Chairman and a quorum of five members of the ROC Executive Group shall have the authority to consider action to fund such deficits from the net assets of ROC. Deficit funding shall first be taken from the unrestricted operating net assets to the extent available and only if necessary from the ROC RESERVES (as defined in paragraph B.3.) with notice to the entire Executive Group.*
- 2.** *ARDA ROC shall contract annually with ARDA for such professional, administrative and clerical services, office space and other administrative support as may be needed. This contract will specify terms and conditions and amounts to be paid monthly. The proposed contract shall be incorporated and considered with the ROC Budget submitted for approval to the ROC Executive Group as defined in paragraph B.1.(a).*
- 6.** *An ARDA ROC RESERVE shall be established from the Net Assets of ARDA ROC as a fund of ROC monies which is separate and segregated from the operating capital of ARDA ROC. The funds of this RESERVE shall be invested pursuant to the Long Term Reserves provisions articulated in the ARDA ROC Investment Policy. The Executive Group, by a vote of a majority, shall annually determine the amount of the funds to be set aside from the net operations for the year. The amount of the*

Amended February 25, 1999 by the ARDA-ROC Executive Group

**Policy and Procedures
ARDA-Resort Owners Coalition
Budget and Expenditures
Page Four**

initial funding of said RESERVES shall be determined by a majority vote of the Executive Group. Any liquidation, disbursement, or any other use of monies in the ARDA ROC RESERVE Fund must be approved by a majority vote of the Executive Group.

4. *Expenditures for state/local lobbying and public education projects shall be considered Discretionary expenditures, and as such require approval by the majority of the Executive Group.*
5. **The Director shall be delegated the authority to make all other expenditures pursuant to an approved budget.**
6. *The Executive Group shall approve a standard form Request for Grant Funding which shall be available on request, along with instruction for preparing and submitting the form and a description of the process for gaining approval. The funding of these requests shall be considered Discretionary Expenditures.*
7. *All funds for research shall be considered Discretionary Expenditures subject to approval by the ARDA ROC Executive Group. Prior to forwarding any research funds to the ARDA International Foundation, Inc., such expenditures must be approved by the ARDA-ROC Executive Group. The Foundation shall agree to spend all ARDA ROC research monies in accordance with the stated mission and purpose of the ARDA ROC Executive Group. Specifically, ARDA ROC funds shall only be used for projects which relate to owner issues and concerns .*
8. *The President of ARDA and the Chairman of ARDA ROC, acting together, are granted the authority to approve a Discretionary expenditure of \$10,000 or less in an emergency situation. An emergency situation is defined as any circumstances which require that some action be taken within 48 hours with the aim to prevent activities potentially harmful to timeshare owners and/or exchangers. Once funds are approved by the President of ARDA and the Chairman of ARDA ROC, the ARDA ROC Executive Group must be notified in writing of the emergency situation expenditure with three (3) business days.*

Amended February 25, 1999 by the ARDA-ROC Executive Group

ARDA-AO 000011

**BYLAWS OF
AMERICAN RESORT DEVELOPMENT ASSOCIATION
A District of Columbia Nonprofit Corporation**

ARTICLE I - NAME AND LOCATION

Section 1. Name. The name of the Association is the "American Resort Development Association" (hereinafter, the "Association"), a nonprofit corporation incorporated in the District of Columbia.

Section 2. Location. The principal office of the Association is determined by the Board of Directors of the Association.

ARTICLE II - PURPOSES AND RESTRICTIONS

Section 1. Purposes. The purposes of the Association include:

a) Providing opportunities for dialogue, education, advancement, and improvement of all aspects of the resort, recreational, and residential development industry through meetings, seminars, communications, publications, policy formulations, and other programs, services, and activities;

b) Articulating and advocating the needs and interests of the industry before legislative, administrative, regulatory, executive, and judicial branches of local, state, and national governments;

c) Cooperating on behalf of the industry with suppliers of goods and services, as well as consumers and public officials, directly and through their associations in matters involving the business and governmental affairs of the industry;

d) Promulgating policies and conducting programs, activities, and services for the betterment of all those individuals or firms involved in some aspect of the resort and residential development industry;

e) Uniting persons actively engaged in, or interested in, the resort development industry;

f) Providing leadership on issues of concern to members of the Association; and

g) Promoting and maintaining high standards of conduct in the transaction of the resort development business.

Section 2. Restrictions. All policies, programs, activities, and services of the Association shall be consistent with:

a) Applicable federal, state, and local antitrust laws, trade regulations;
and

b) Applicable tax-exemption requirements, including the requirements that the Association not be organized for profit and that no part of its net earnings may inure to the benefit of any private individual.

ARTICLE III - CATEGORIES OF MEMBERSHIP

Section 1. Membership Qualifications. Membership in the Association is primarily available to all persons or firms involved in, or associated with, the resort development industry. All members of the Association shall be entitled to attend all meetings of the Association, except those meetings of the Board of Directors or of Committees of the Board, which may be closed to members. All members shall be eligible to serve on any Committees or Sub-Groups, except those Committees and Sub-Groups for which specific eligibility requirements are established. Membership in the Association may be suspended or terminated upon procedures promulgated by the Board of Directors. All members shall be eligible to receive current information on activities, policies and legislative positions of the Association. Membership consists of the following categories.

Section 2. Active Membership. Regular voting membership ("Active Membership") in the Association is limited to (a) firms directly engaged in the development of resort, recreational, and residential properties, (b) firms whose primary purpose is the exchange or reciprocal use of such properties, and (c) all trustees, as defined from time to time by policy and procedure of the Board, except that no Active Member shall have more than one vote.

Section 3. Associate Membership. Regular but non-voting membership ("Associate Membership") in the Association is limited to firms furnishing goods or services to the resort industry.

Section 4. Affiliate Membership. Certain limited and non-voting membership (various "Affiliate Membership" sub-categories) are available to those firms or individuals affiliated with the industry, as follows:

a) **Limited Supplier Membership.** Supplier membership is available to financial institutions and professionals with limited industry involvement, such as smaller-scale CPA and law firms, and small suppliers entirely local in scope.

b) **International Membership.** International membership is available to firms whose offices are not located in the United States. International companies may join as voting members and have the same rights and privileges of U.S. companies but must agree to abide by all rules and regulations of the Association (including the Code of Standards & Ethics).

c) **Property Management.** Firms and/or Managers of single site properties and property owners' associations.

d) **Nonprofit Membership.** Nonprofit membership is available to public agencies and officials, public interest groups, educators, schools, libraries and non-profit organizations having an interest in the resort development industry.

e) **Life or Honorary Membership.** Life or Honorary memberships are conferred upon individuals or firms according to terms specified by the Board of Directors. No dues are paid by such members.

Section 5. Individual Membership. Regular but non-voting membership ("Individual" membership) is available to those individuals who have successfully passed the ARDA Education Institute (AEI) qualification test; are employed by or under contract to ARDA members; and have personally signed the ARDA pledge to abide by and adhere to the ARDA Code of Standards & Ethics.

Section 6. Student Divisions and Student Membership. Regular but non-voting membership is available to student members of academic units established in colleges, universities, or educational facilities located within or without the United States, pursuant to rules, regulations, and policies as shall be adopted by the Board of Directors ("Student Division Membership"). Student Division Membership shall also be available to individual students matriculating on campuses without a Student Unit pursuant to rules, regulations, and policies as shall be adopted by the Board of Directors.

Section 7. Role of Board. Qualifications and other terms of membership for each of the above categories, as well as annual dues schedules, are established by the Board of Directors. The Board also is empowered to establish additional benefit programs for members who pay special dues or assessments, including programs for Trustees and Chairman League participants, and programs of a similar nature.

Section 8. Non-Members. The Board of Directors provides for the availability of required goods and/or services to non-members, subject to such charges as are appropriate and as may be set from time to time.

ARTICLE IV - APPLICATIONS AND ADMISSION

Section 1. Application for Membership. All applicants for membership must first complete and sign an application form provided by the Association, and must submit the application to the principal office of the Association.

Section 2. Admission Requirements. Applicants then complete such supplemental application materials as are provided by the Board of Directors, including written assurances that they will abide by the Association's Bylaws, rules and regulations, and the Code of Standards & Ethics, as then adopted or as shall be amended and adopted from time to time by the Association.

Section 3. Admission of Members. Admission to membership is by review and approval of application materials under procedures set forth by the Board of Directors. Membership in the Association is a privilege, not a right, the Board of Directors may review any application for membership and may approve or deny the application as it deems appropriate in the best interest of the industry.

Section 4. Refunds. No dues are refunded. Dues paid by new members are applied to the current year, and as pro rata credits toward the next year's dues renewal.

ARTICLE V - PAYMENT OF FINANCIAL OBLIGATIONS

Section 1. Members in Good Standing. The term "member in good standing" refers to any member who is not in arrears to the Association in regard to any financial obligation, including current annual dues, and whose membership has not been suspended or terminated pursuant to the Association's Bylaws, rules and regulations, or the Code of Standards & Ethics.

Section 2. Suspension for Non-Payment. Member discounts are automatically suspended 31 days after the beginning of any dues year for which the member has not paid renewal dues, or on the first business day of the month following the last month for which dues were paid in advance the previous year, whichever is later, or on such date as any other financial obligation is delinquent for 75 days or more. If dues remain unpaid after 60 days of any year, the member is notified that all other membership privileges will be suspended on the

75th day of delinquency or upon expiration of membership entitlement because of dues paid in advance.

Section 3. Termination of Members. If a suspended member's delinquent account is not paid within the succeeding 30 days, the member forfeits all rights and privileges, and membership is terminated without necessity of further notice.

Section 4. Termination of Non-Members. Non-members may be terminated from utilizing Association programs, activities, or services for adequate reason by the President. Failure to meet financial obligations is presumed to be adequate reason for termination, and does not require advance notice or deliberation by the Board.

Section 5. Installment Payments and Accommodations. The President or his designee may enter into agreement with any member to permit installment payments of dues and other obligations, and may make other accommodations if determined by the President or his designee to be in the best interests of the Association. Failure by any member to make timely payment according to the terms of any such agreement shall result in suspension of membership 15 days after the date payment was due. If still unpaid within the succeeding 30 days, membership is terminated according to the terms of section 3 of this article.

Section 6. Appeals. Any firm that has been terminated may contest the same in writing or request a hearing in person before the Executive Committee of the Board of Directors, and is entitled to written notice of the final decision.

Section 7. Resignation. Any member may resign by filing a written resignation with the President. Resignation does not, however, relieve a member from liability for pro rata and/or unpaid dues accrued—or from the requirement to pay other outstanding financial obligations—as of the date the resignation is received at the principal office of the Association. Unless the member requests otherwise, membership will be continued until expiration of any dues paid in advance.

ARTICLE VI - OFFICERS AND DIRECTORS

Section 1. Directors. The governing body of the Association is the Board of Directors, which has the authority and is responsible for the overall supervision, control, and direction of the Association.

Section 2. Composition of the Board. The Board shall consist of no more than 35 directors and shall consist of the following:

a) The Chairman, who shall be an Active Member and who shall be elected by the Board to serve a one-year term of office, and who may be re-elected for no more than one additional consecutive term;

b) The President during his term of employment, as determined by the Board;

c) The Treasurer, who shall be elected by the Board to serve a one-year term of office, and who may be reappointed jointly by the Chairman and President, to no more than two additional consecutive terms;

d) A Past Chairman who shall be jointly appointed by the Chairman and President to serve a one-year term of office and who may be reappointed jointly by the Chairman and the President, for no more than two additional consecutive terms;

e) Twenty (20) constituent members elected by the then current Board, shall be elected in staggered years to serve four year terms of office. These twenty representatives shall have been nominated with due regard for the various lines of business and regions of the U.S. and the world represented by all such membership in ARDA, with no more than five (5) such nominees to stand for election in any one year.

f) Five Council Chairmen, jointly appointed by the Chairman and President and approved by the Board to serve a two-year term of office, and who may be reappointed jointly by the Chairman and President, for no more than two additional consecutive terms; and

g) At-Large Members, not to exceed ten in number, are jointly appointed by the Chairman and the President and approved by the Board to serve a one-year term of office, and who may be reappointed jointly by the Chairman and the President, for no more than two additional terms.

Section 3. Nominations. There shall be a Nominating Committee whose duty it shall be to solicit, receive, and initiate nominations and shall include solicitation of possible nominees from members of the Association; to accept petitions for nomination from members of the Association; to present a ballot for the election or appointment of such directors to the Board of Directors; and after the election, to notify all members of the Association which notice as to form and substance shall have been approved by the Board of Directors. The Nominating Committee shall consist of the Chairman, President, and three persons jointly appointed by the Chairman and President from the Board of Directors. The Chairman shall be chairman of the Nominating Committee.

Section 4. Election. At or before each Annual Convention of the Association, an election for directors is held pursuant to procedures prescribed by the Board. The Board shall notify Active Members of the new directors.

Section 5. Term of Office. Directors take office at the Association's Annual Meeting.

Section 6. Vacancies. If a vacancy occurs on the Board, the position may be filled by the Board for the unexpired portion of the term.

Section 7. Removal. The Chairman and the President may, at any time and in their sole discretion, jointly reprimand, suspend or remove from office any director, officer, or member who in their judgement has violated the By-Laws, or who has engaged in conduct detrimental to the best interest of the Association, or who has refused or willfully neglected to comply with any order or decision of the Board of Directors or upon recommendation of the Ethics Committee. Any director, officer, or member so disciplined may appeal such sanction in writing to the Executive Committee within ten days of notification by the Chairman and President. The Executive Committee shall decide such appeal within thirty days, pursuant to written or unwritten procedures as may be adopted by its chairman in its sole discretion. The decision of the Executive Committee on the appeal shall be final. Any termination of membership or designation shall cancel all rights, interests and privileges of such director, officer, or member in the services and resources of the Association. Any director or officer (except President while executing duties of office) who shall be absent from two consecutive regular meetings of the Board of Directors shall automatically forfeit his office unless the President and the Chairman acting jointly, upon receipt of a written explanation for such absence satisfactory to it, shall waive this provision.

Section 8. Meetings. The Board meets in person at least twice annually at the times and places it, or the Executive Committee, selects.

Section 9. Voting in Person. The presence of a majority of the directors constitutes a quorum. A majority of directors present is necessary to make a decision, except where some other number is required by law or by these Bylaws. Proxy voting is not permitted.

Section 10. Voting Without a Meeting. These provisions shall not be construed to prohibit conduct of business by the Board or the Executive Committee by mail or by tele-conferencing, but in such case an absolute majority is required.

Section 11. Written Records. Written minutes of all meetings, actions, and votes of the Board shall be maintained by the President, in coordination with the Secretary.

Section 12. Compensation. Directors do not receive compensation for their services, except for the President of the Association.

ARTICLE VII - OFFICERS AND EXECUTIVE COMMITTEE-

Section 1. Officers. The officers of the Association are a Chairman, a Past Chairman, a President, and a Treasurer.

Section 2. Duties. The officers perform those duties that are usual to their positions and that are assigned to them by the Board of Directors. In addition, the President acts in place of the Chairman when the Chairman is not available. He is also responsible for employing, setting compensation, and discharging all staff, consultants, and contractors, unless otherwise provided for in these bylaws (but may delegate as necessary) and for directing the staff and the day-to-day management of the Association.

Section 3. Executive Committee. The Executive Committee consists of a minimum of eight (8) and a maximum of sixteen (16) members including the four officers, and up to eleven (11) additional members from the Board of Directors appointed jointly by the Chairman and President. During the period when the Association has a Chairman Elect, such person also shall be a member of the Executive Committee. The General Counsel and the Secretary (unless the Secretary is a Board member) serve as non-voting ex officio members of the Executive Committee.

a) It is the function of the Executive Committee to act in the place of the Board of Directors when such authority is specifically designated by the Board, or in emergency matters where Executive Committee action is temporary and subject to subsequent approval by the Board at its next meeting;

b) Meetings of the Executive Committee may be called by any officer or by a majority of the Executive Committee; and,

c) Quorum and voting requirements are the same as those for the Board of Directors (Article VI 9 and 10).

ARTICLE VIII - SPECIAL UNITS, COMMITTEES, AND APPOINTMENTS

Section 1. Special Units and Subsidiaries. The Board of Directors creates such Special Units and Subsidiaries--including Councils, Institutes, Foundations, State or Regional Committees, and other special interest divisions or subsidiaries--as may be appropriate to

encourage widespread involvement of the membership in Association policies, programs, activities, and services.

a) The Board of Directors promulgates procedures for the organization of such Special Units and Subsidiaries;

b) Special Unit members may be assessed additional dues, if appropriate; and

c) Appointment of the Chairman of a Special Unit is by approval of the Board of Directors upon nomination from the Chairman, or upon receipt of a nomination (as a result of an election or a nomination by members of the Special Unit).

Section 2. Committees. The Board of Directors creates such committees as may be appropriate from time to time. The Chairman and President jointly appoints and removes the chairmen and members of these committees and reports these appointments to the Board of Directors.

Section 3. Councils. The Board of Directors creates such councils as may be appropriate from time to time. The ARDA Chairmen and President jointly appoints and removes the chairmen and members of these committees and reports these appointments to the Board of Directors.

Section 4. Task Forces. The Chairman or the President may create task forces and appoint and remove task force chairmen and members.

Section 5. General Counsel. A General Counsel is appointed or terminated by the President, subject to approval of the Board.

Section 6. Compensation Committee. The Chairman, Immediate Past Chairman, and Treasurer shall be the members of this committee which is exclusively charged to address compensation of the President. Decisions of this committee are confidential between it and the President, and are not subject to review by any other party.

ARTICLE IX - RULES AND AMENDMENTS

Section 1. Rules. The Board of Directors may establish policies, procedures, rules, and regulations that are consistent with these Bylaws for the various programs, activities, and services of the Association. Once established, such policies, procedures, rules, and regulations shall be distributed to the ARDA membership.

Section 2. Rules of Order. Parliamentary procedures, as interpreted by the chairman of the meeting, govern in all meetings to the extent that they are not inconsistent with these Bylaws.

Section 3. Amendments. These Bylaws shall be repealed, modified, altered, or amended, or new Bylaws adopted, by a majority vote of the Board of Directors.

ARTICLE X - MEMBERSHIP MEETINGS

Section 1. Membership Meetings. Meetings of the Association membership may be called by the Board of Directors at any time, or upon petition by twenty percent of the Active Members.

Section 2. Notice. The Board of Directors must give Association members reasonable notice of at least 30 days of all annual and special meetings. The notice must include a general description of the business to be discussed.

Section 3. Voting. The presence of twenty percent of the Active Members constitutes a quorum. A majority of members where a quorum is present is necessary to make a decision, except where some other number is required by law or by these Bylaws. Proxy voting is not permitted.

Section 4. Voting Without A Meeting. These provisions shall not be construed to prohibit further conduct of business by Active Members through voting by mail, but in such case an absolute majority is required.

ARTICLE XI - FINANCE

Section 1. General Funds. Income received by the Association shall be placed in depositories selected by the President, and disbursed pursuant to the budget and in such manner as the Board of Directors may direct.

Section 2. Authority to Sign Checks. The following have the authority to sign checks for and on behalf of the Association: Chairman, President, and such other persons as may be specifically given authority by resolution of the Board of Directors. One or more signatures, depending on a set limit pursuant to a resolution of the Executive Committee, shall be required.

Section 3. Authority to Borrow. The Board of Directors may authorize the President to arrange for loans to the Association and to execute, on behalf of the Association, the necessary documents. Authorization must be based on a particular need; general authorization shall not be given.

Section 4. Bonding. Officers and staff authorized to handle funds are required to furnish a bond at the expense of the Association, and in such amount as the Executive Committee determines is appropriate.

Section 5. Budget. The Board of Directors has the authority to adopt and revise annual budgets.

Section 6. Reserve Funds. The Board of Directors has the authority to reserve funds for such purposes as deemed necessary, consistent with the goals and purposes of the Association.

Section 7. Fiscal Year. The Board of Directors determines the fiscal year of the Association.

Section 8. Annual Audit. The Board of Directors requires an annual audit of the finances of the Association of an Independent Certified Public Accountant, who is appointed or terminated by the President, subject to approval by the Board.

Section 9. Collections. No dues, fees or assessments shall be collected by councils, committees, special units or other sub-groups on behalf of the Association without prior authorization of the Chairman and/or President, and any funds so collected shall be fully accounted for to the Treasurer of the Association.

Section 10. Representation and Expenditures. No council, committee, special unit or sub-group or individual member thereof shall represent the Association in advocacy or in opposition to any movement, project, legislation or other matter, without specific authorization from the Chairman and/or President, nor expend any money or enter into any contract on behalf of the Association without specific authorization from the Chairman and/or President, unless such expenditure has been specifically included in the approved budget for the year.

ARTICLE XII - INDEMNIFICATION

Section 1. Indemnification Policy. The Association indemnifies current and former directors, officers, and employees in the positions of President, vice president, and department head, as well as such agents as are expressly so approved by the Board--and, for

purposes of enforcement of any of the Code of Standards & Ethics, any agents as are expressly approved by the Board upon recommendation of the President--for any expenses actually or necessarily incurred in connection with or resulting from the defense of any claim, action, suit, or proceeding, civil or criminal, arising from his or her performance of any duty or activity on behalf of the Association. To the extent possible, the Association will provide Directors and Officers Insurance for ARDA Directors and Officers.

Section 2. Exception to Indemnification. No person shall be indemnified or reimbursed in relation to any matter where that person has been finally adjudged to have been liable for gross negligence or fraud.

ARTICLE XIII - CODE OF STANDARDS & ETHICS

Section 1. Adoption of Code of Standards & Ethics. The Board of Directors hereby adopts the Code of Standards & Ethics dated February 20, 1986, which may be amended from time to time. The Board may suspend, or revoke suspension of enforcement of the Code until such future date as it may determine.

Section 2: Enforcement. If the Board provides for enforcement of the Code, it shall adopt and promulgate procedures for suspension or termination of membership privileges--or the availability of programs, activities, and services to non-members--and such other penalties as it may deem appropriate for any "Determination of Failure to Comply" with the Code.

Section 3. Special Units. The Board may suspend or revoke the charter of, or assignment to, any Special Unit (including state or regional committees) if it finds that it has been the policy or practice of that Special Unit to condone or encourage failure to comply with the Code.

Section 4. Committee. The Chairman appoints a committee pursuant to the Code, whose function it shall be to review proposed changes and interpretations of the Code. The committee also undertakes enforcement responsibilities as may be assigned to it under the Code.

Section 5. Appellate Board. The Chairman appoints an Appellate Board pursuant to the Code, whose function it shall be to hear appeals under the Code.

ARTICLE XIV - ANTITRUST COMPLIANCE

Section 1. Policy. It is the undeviating policy of the Association, and the intent of the Board of Directors, to comply strictly with the letter and spirit of all laws respecting antitrust and all laws governing trade associations. It is specifically not the policy or intent in any way to restrain trade or impede the entry of legitimate business into the industry or the Association. Any activities of the Association or Association-related actions of its officers, directors, employees, or members which violate such laws are detrimental to the interests of the Association and are unequivocally contrary to Association policy.

Section 2. Implementation. Officers, directors, employees, or members who participate in conduct that the Board of Directors, by a two-thirds vote, determines to be contrary to the Association antitrust compliance policy, shall be subject to disciplinary measures up to, and including, removal or termination of employment. Non-members may be expelled from eligibility to participate in Association programs, activities, or services.

The

ROC Report

The ARDA Resort Owners Coalition Newsletter

The ARDA-Resort Owners Coalition (ARDA-ROC) is a non-profit program sponsored by the American Resort Development Association (ARDA), dedicated to preserving, protecting and enhancing the ownership of vacation resort property.

North Florida District Issues Final HOA Position Paper

ARDA-ROC has been battling the I.R.S. for several years regarding the tax treatment of timeshare owner associations. Specifically, we refer to I.R.S. attempts to tax timeshare owner associations on reserves, excess and prepaid assessments, which could have led to increased owner assessments. Therefore, ARDA-ROC engaged in a massive effort to pass the *Homeowners Association Clarification Act* as part of the *Taxpayers Relief Act of 1997*. Despite this victory on behalf of owners, the I.R.S. North Florida District office issued its position paper titled, *The Federal Taxation of Timeshare Vacation Plan Owner Assessments*. The 250 page position paper addresses the same issues regarding tax reporting of excess assessments, prepaid assessments and legally required reserves as the North Florida District's March, 1997 draft position paper.

On July 6, 1997, ARDA submitted detailed comments to the North Florida District on the draft position paper, in which we pointed out numerous errors regarding the proper tax treatment of timeshare association assessments. Unfortunately, the final version of the position paper repeats many of the factual mis-statements and mistakes of law contained in the draft.

The North Florida District once again contends in the final position paper that:

- assessments dedicated to legally required reserves must be included in an association's gross income in the year received;
- excess assessments cannot be deferred by crediting the excess to the next year's assessment; and
- prepaid assessments must be included in income in the year received.

The final position paper also acknowledges that section 528 of the Internal Revenue Code, as amended by the *Taxpayer Relief Act of 1997*, is now available to most timeshare associations, and a timeshare association electing section 528 treatment for 1997 tax year will not be required to follow the North Florida District's approved methods for reporting timeshare assessments received in 1997. (Section 528 allows an electing HOA to treat member assessments as exempt function income.) The final position paper accurately notes that section 528 does not apply to timeshare association tax years before 1997.

ARDA views the position in its final form as a negative development. The final position paper is an indication that the North Florida District will continue to pursue its position (for previous years) in new timeshare association examinations despite the clear message sent by Congress in the *Taxpayer Relief Act of 1997* that timeshare assessments are to be afforded the same income tax treatment as "whole ownership" association assessments. Now that the position paper has been finalized, the North Florida District may begin an audit program to examine the returns of timeshare associations. ARDA recommends that each timeshare association consider whether to file an election under section 528 for its 1997 tax year and for years thereafter. ■

Florida Owners Benefit from Lien Foreclosure Act

ARDA-Florida and ARDA-ROC have been hard at work for the last two years, in cooperation with the Florida Legislature and Florida Bar, to craft legislation that would assist owners associations in more efficiently dealing with unpaid and delinquent timeshare maintenance assessments. On April 30, 1998, Florida passed legislation to streamline and expedite the current judicial foreclosure process.

The legislation, will make it easier and quicker to foreclose delinquent assessment liens. The law will allow associations to consolidate multiple defendants and junior interest holders into one action, lowering the cost of such proceedings to the association, ultimately benefiting responsible owners.

Additionally, the process significantly streamlines the complicated notice process, ensuring adequate notice while allowing associations to move more rapidly to foreclose delinquent unit weeks and return them to productive, assessment-paying status. ■

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ARDA-ROC Works to Resolve Delinquent Tax Issue That Haunts Riverside County, California

In January, ARDA-ROC learned of a planned timeshare tax auction in Riverside County, California. In an agreement with the County Treasurer, local homeowners associations and management companies agreed to pay a minimum price of \$92.55 for more than 1,600 delinquent weeks.

This was not a problem until the local press portrayed the agreement as a "timeshare bail-out." ARDA-ROC's involvement in the Riverside auction began with a call from a local reporter inquiring why so many weeks were available at such a low price. After discussing the issue with local management companies, ARDA-ROC responded that the auction was an attempt by both the County and the owners associations to clear the slate, free-up the delinquent weeks, strengthen the owner base and generate new tax revenue for the County.

Putting the issue in perspective, Riverside County has nearly 60,000 timeshare in-

ARDA-ROC Salutes Outstanding Contributors

The ARDA-Resort Owners Coalition recently announced the winners for outstanding participation in 1997. ARDA-ROC Chairman Lynn Weas presented both Marriott Vacation Club International and Resort Development International (RDI) with ARDA-ROC's top award for "Most Successful and Highest Total Dollar" contributor. The PAHIO Companies received the "Rookie of the Year Award" for an outstanding first year of participation.

Finally, for the seventh year in a row, Universal Vacation Club won the "Highest Percentage" award with almost 90% of owners contributing to ARDA-ROC. ■

tervals and the auction represents only about 2% of the total timeshare inventory in the County.

The County Supervisors met to discuss the scheduled auction and requested the County Executive to prepare a report on the situation. To compound the problem, a recent state law, known as the "Teeter Plan," apparently precluded the County from dismissing any back taxes. Differing reports show the County is owed between \$540,000 and \$2.3 million in back taxes and penalties on these properties, raising the minimum bid per week to between \$340 and \$1,500. Another unacceptable solution would be to place special assessments on current tax paying timeshare owners to cover the shortfall.

Responding swiftly, ARDA-ROC opened communication lines with local press and engaged a local attorney to represent us to the county government. At the January 6th County Supervisors meeting, ARDA-ROC's representative noted timeshare's contribution to the County and offered assistance going forward to resolve these problems.

While the agreement between the HOAs and the County has been canceled, the auction occurred with bidding set to begin at the total back taxes and penalties owed. The County Supervisors have asked ARDA-ROC representatives to serve on an internal task force charged with resolving this issue. Therefore, letters have been sent to the County reiterating ARDA-ROC's intent to work with the County on this issue. ■

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Issue 1, August 1998**

ARDA-ROC Funds Legal Research

Through the ARDA State Legislative Committee, ARDA-ROC is funding legal research of various tax issues relating to timeshare owners. South Carolina is the first state where the research is being conducted. The results of this study will help us determine strategy to prevent the further imposition of taxes on timeshare owners. ■

Hawaii Legislature Adopts TAT on Timeshares

In the sixth annual battle over the imposition of any Transient Accommodations or Occupancy Tax (TAT) on timeshare owners, the Hawaii Legislature voted to apply the TAT to timeshare maintenance fees.

In the waning days of the session Friday, May 8, it looked as though ARDA Hawaii's compromise of a \$2.00 per day registration fee would be adopted. Three days later House and Senate Conferees agreed to raise the TAT from 6% to 7.25% and applied it to timeshares in an unusual formula which would result in a weekly occupancy charge of between \$11 to \$30. The 7.25% TAT rate takes effect on January 1, 1999, but the effective date of the timeshare provision is unclear.

ARDA Hawaii, with significant support from ARDA-ROC, successfully fought enactment of a TOT or TAT on timesharing for five years (1993-97). Despite extensive lobbying efforts in 1998 by ARDA Hawaii, local lobbyists and PR consultants, economic impact studies, visits by ARDA members, and detailed explanations of the benefits of timesharing to the Hawaii economy, the Legislature seemed to accept the position of Senator Rosalyn Baker, Chair of the Senate Ways and Means Committee. Sen. Baker has aggressively pursued an occupancy tax on timeshares since 1993, arguing that timeshare owners are no different from hotel guests. Timeshares, unlike hotels, do not pay their "fair share" of tourism costs, she claims.

Mitchell A. Imanaka, Chairman of ARDA Hawaii, said "It is unfortunate that the Hawaii Legislature has imposed a tax on timeshares, but the amount of the tax is not as onerous as originally proposed. After six long years, we now have something in place to give certainty to owners and developers."

At least three legal opinions (two from ARDA) had been presented to the Legislature in 1997 and 1998 indicating the TAT was unconstitutional. ARDA and its members are considering what options, can or should be exercised once we have had further time to analyze the impact of the tax. ■

ARDA-ROC Fights Exchange Tax in South Carolina

In mid January 1998, ARDA learned that the S.C. Department of Revenue (SCDOR) had issued a Revenue Ruling (No. 97-22) *asserting that timeshare exchanges were subject to the same seven percent sales tax on accommodations as a hotel guest.* Under the Ruling, the tax would have been applied to the "fair market rental value" of the timeshare week exchanged.

Owners using their own timeshare property were already exempt from the tax under provisions in both the timeshare law and tax code. Therefore, in order to preserve the attractiveness of an exchange to South Carolina and reduce the negative impact of the tax, ARDA-ROC hired legislative and tax counsel. Representative Edge (R-District 104) led the fight in the House and Senator Dick Elliott (D-District 28) carried the bill in the Senate to extend the exemption to timeshare exchangers as well.

On Wednesday June 3, 1998 the tax exemption bill passed the South Carolina legislature, and was signed into law by Gov. David Beasley near the end of June.

MAY 28 3 52 PM '99

ARDA-ROC

History of Funding Projects

In 1989, the ARDA-Resort Owners Coalition (ARDA-ROC) was established by the American Resort Development Association (ARDA) as a grassroots legislative advocacy coalition of resort property owners. Since its inception, ARDA-ROC has been dedicated to preserving, protecting, and enhancing vacation ownership. ARDA-ROC is funded by voluntary \$3.00 contributions from individual unit owners across the United States, Mexico and the Caribbean. These funds are used to fight government attempts to raise revenue on the backs of timeshare owners. These government efforts create the need for a strong coalition of timeshare owners, like ARDA-ROC, to protect owner economic interests.

ARDA-ROC engages tax, banking and environmental experts in Washington, D.C. and around the country to represent and defend owners on a wide range of federal and state legislative issues that directly affect the value of their property, and the enjoyment of their vacation experience.

On the federal level, ARDA-ROC funds recently proved instrumental in the successful legislative battle in the U.S. Congress against IRS efforts to tax capital reserves of timeshare homeowners associations. In addition, ARDA-ROC continues its vigilant defense of the mortgage interest deduction; promotion of the federal flood insurance program and natural disaster initiatives that protect coastal property as well as, protection for consumers from abusive telemarketing practices.

These funds also assist in increasing the professionalism of resort property management. Through ARDA-ROC funded research and education, resort managers are better able to offer services providing greater enjoyment and benefits to the resort property owner. These projects are also used to assist industry experts and advocates in educating legislators about the social and economic benefits timeshare owners bring to their regions.

Many state and local governments are also quite active with issues affecting owners of vacation property. ARDA's staff closely watches government activity on the state and local level. An on-line computer tracking system, funded by ARDA-ROC, helps monitor legislative and regulatory activity in all 50 states. Monitoring activity regularly allows us to effectively determine what action needs to be taken on behalf of timeshare owners.

ARDA-ROC Funding 1999

UTAH

Due to expeditious action by ARDA-ROC, ARDA Members and ARDA staff, tax legislation favorable to timeshare owners and the industry was enacted during Utah's short budget session. The bill passed on March 3 after a pitched battle with assessors, a few legislators, and the Park City Attorney who had threatened that "no timesharing would be approved in Park City" if the tax bill passed.

ARDA-ROC provided emergency funding for a lobbyist after the assessors raised objections to the favorable timeshare bill. S.B. 220, sponsored by Sen. Michael Waddoups, was expected to be signed by the Governor by March 23 or allowed to take effect without the Governor's signature. The bill will apply retroactively to January 1, 1999. (One key legislator and the Governor, had both originally opposed the bill.)

The bill resulted from a State Supreme Court decision which overturned existing Utah law and set the stage for assessment of timeshares "by the week." In late 1998, many timeshare resorts found they were being reassessed based on the "sum of the sales prices." Several resorts faced outrageous real property tax increases, particularly in the Park City area where many resorts are concentrated.

S.B. 220 provides that the real property value of a timeshare will be "exclusive of...any intangible property and rights associated" with its operation or use, including any fees or costs of the sale of timeshare interests that exceed costs "normally incurred in the sale of other similar properties." (Emphasis added.) Also excluded from the real property value of a timeshare are other fees and costs related to operation, ownership and use, exchange rights, vacation services, club memberships, and other "intangible" benefits.

There was one other side benefit to the dialogue between Summit and Salt Lake County assessors and the industry. An assessor re-examined prior years' timeshare assessments, with the result that one resort's owners will save nearly \$300,000 in taxes, despite the fact that the appeal date had already expired for that year's taxes.

NEW ENGLAND (MAINE)

Currently, ARDA-ROC and ARDA-New England are pursuing a legislative initiative to fight a detrimental application of timeshare appraisal methods in Maine. Counsel and lobbyists have been retained to convince the legislature that the valuation of timeshare interests based on the aggregate of sale prices of a unit is incorrect and inappropriate.

The first hearings on the bill are expected in late March or early April. Not unexpectedly, the Maine Municipal Association has announced its opposition to the bill, but assessors from only three towns in Maine appear adamantly opposed to the ARDA bill. Numerous materials have been prepared by ARDA's counsel and distributed to legislators and ARDA members have been highly active in lobbying their own legislators. However, the group may also need to retain an appraisal expert to assist in the effort.

WISCONSIN

ARDA-ROC and ARDA-Wisconsin continues to pursue repeal of the 1989 sales tax on flex-time, deeded timeshare property, despite a set back in late February. Governor Tommy Thompson's 1500+ page budget announced in late February once again proposed to place the state's five to five and a half percent sales tax on timeshare sales and maintenance fees (including real estate taxes). A similar proposal in 1995 caused the formation of ARDA-Wisconsin and the proposal was defeated. The group will aggressively fight the new tax as well as continue to seek repeal of the old flex-time sales tax.

It is fairly clear that the tax was included at the request of the Department of Administration (DOA), whose current Director served as Tax Director in 1995. The Wisconsin legislature has appeared to understand and accept ARDA Wisconsin's arguments that timeshares are real estate and should be treated no differently from other real estate. No other form of real estate pays sales tax. ARDA Wisconsin has prepared additional materials and arguments, is soliciting letters from timeshare owners and employees, is meeting with the Wisconsin Tourism Director, and has solicited the help of new ARDA member Marcus Hotels & Resorts which is planning a major timeshare development at Lake Geneva.

ARDA-Wisconsin & ARDA-ROC's lobbyists will be targeting the Legislature and the Administration respectively. One small break-through on the Administration side occurred in early March when the Governor's Chief of Staff offered to set up a meeting with ARDA-Wisconsin representatives, recognizing that the Legislature has been supportive of the industry's position. Also, ARDA is working to schedule a meeting between Governor Thompson and Chairman-elect Bob Miller to further push the issue.

SOUTH CAROLINA

ARDA-ROC and ARDA-Carolinas has introduced non-judicial foreclosure for South Carolina in 1999. The firm, who was so successful for ARDA-ROC in 1998 defeating the 7% tax on exchanges, was again retained for 1999. Like Florida's effort in 1997-98, the South Carolina legislation may take two years to enact. The likelihood of enactment in 1999 is still unclear at this point in the legislative session.

ARDA-ROC Funding - 1998

SOUTH CAROLINA

The S.C. Department of Revenue (SCDOR) issued a Revenue Ruling (No. 97-22) *asserting that timeshare exchanges were subject to the same seven percent sales tax on accommodations as a hotel guest.* Under the Ruling, the tax would have been applied to the "fair market rental value" of the timeshare week exchanged.

Owners using their own timeshare property were already exempt from the tax under provisions in

both the timeshare law and tax code. Therefore, in order to preserve the attractiveness of an exchange to South Carolina and reduce the negative impact of the tax, ARDA-ROC hired legislative and tax counsel. Representative Edge (R-District 104) led the fight in the House and Senator Dick Elliott (D-District 28) carried the bill in the Senate to extend the exemption to timeshare exchangers as well.

On Wednesday June 3, 1998 the tax exemption bill passed the South Carolina legislature, and was signed into law by Gov. David Beasley near the end of June. Make no mistake, this was a huge victory for timeshare owners and their vacation experience.

HAWAII

ARDA-ROC and ARDA-Hawaii successfully fought enactment of a Transient Occupancy Tax (TOT) or Transient Accommodations Tax (TAT) on timesharing for five years (1993-97). Despite extensive lobbying efforts in 1998 by ARDA-ROC and ARDA-Hawaii, local lobbyists and PR consultants, economic impact studies, visits by ARDA Trustee members, and detailed explanations of the benefits of timesharing to the Hawaii economy, the Legislature voted to apply the TAT to timeshare maintenance fees.

In the waning days of the session last Friday, May 8, it looked as though ARDA Hawaii's compromise of a \$2.00 per day registration fee would be adopted. However, the state's ongoing budget problems and action by Governor Ben Cayetano to reduce personal income taxes on Monday changed everything.

Late Monday, May 11, House and Senate Conferees agreed to raise the TAT from six to 7.25 percent and applied it to timeshares in an unusual formula which would result in a weekly occupancy charge of between \$11 to \$30. The legislation clearly applies the TAT to the *occupant* of the timeshare unit (S.B. 2259, C.D.1). However, the legislation which passed is much less costly to timeshare owners and exchangers than originally proposed.

Senator Rosalyn Baker, Chair of the Senate Ways and Means Committee has aggressively pursued an occupancy tax on timeshares since 1993, arguing that timeshare owners are no different from hotel guests. Timeshares, unlike hotels, do not pay their "fair share" of tourism costs, she claims.

The Hawaii Hotel Association (HHA) supported Sen. Baker's position and has consistently supported a TOT or TAT on timeshares to create a "level playing field" (hotels collect a six percent TAT per night and will be subject to the new 7.25% rate). Much misinformation has been distributed, including that hotels are widely being converted to timesharing (and the state therefore loses TAT revenue).

FLORIDA

ARDA-Florida and ARDA-ROC worked for the last two years, in cooperation with the Florida Legislature and Florida Bar, to craft legislation that would assist owners' associations in more efficiently dealing with unpaid and delinquent timeshare maintenance assessments. On April 30, 1998, Florida passed legislation to streamline and expedite the current judicial foreclosure process.

The legislation, will make it easier and quicker to foreclose delinquent assessment liens. The law will allow associations to consolidate multiple defendants and junior interest holders into one action, lowering the cost of such proceedings to the association.

Additionally, the process significantly streamlines the complicated notice process, ensuring adequate notice while allowing associations to move more rapidly to foreclose delinquent unit weeks and return them to productive, assessment-paying status.

ARDA-ROC Study Grants-1998

LEGAL RESEARCH ON TAX ISSUES RELATING TO TIMESHARE OWNERS

(Committee sunseted and funds to be reallocated for other research)

ARDA-ROC is funding legal research of various state tax issues relating to timeshare owners. The results of this study will help us determine strategy to prevent the further imposition of taxes on timeshare owners. Several of the following states will be selected for research, including: Arizona, California, Colorado, Florida, Hawaii, Missouri, New Hampshire, Nevada, North Carolina and South Carolina.

ARDA-ROC Funding - 1997

OWNERS ACHIEVE MAJOR LEGISLATIVE VICTORY CONGRESS SIDES WITH OWNERS OVER I.R.S.

This fight has taken us from the I.R.S. local office in Florida to the highest levels of the I.R.S. and the United States Congress in Washington, D.C. In the end, the ARDA-ROC supported "Homeowners Association Clarification Act of 1997" was included in the "Taxpayer Relief Act of 1997."

Background

Over the past three years, the team assembled by the American Resort Development Association's Resort Owners Coalition (ARDA-ROC), has been working diligently to diffuse efforts which were originated by the I.R.S. office in Jacksonville, Florida. The I.R.S. began auditing several timeshare Homeowners Associations (HOAs) in Florida citing them with tax deficiencies as result of the manner in which they treated member assessments. As a result, members of ARDA-ROC's team met with the I.R.S. district office, leading to a temporary suspension of existing and future audits against timeshare Homeowner Associations in the state. In an effort to convince the I.R.S. that capital member assessments including those dedicated to reserves, should not be taxable income to timeshare associations, ARDA-ROC provided technical information to the I.R.S. Despite these efforts, the I.R.S. national office issued a Technical Advice Memorandum (TAM) which concluded that a timeshare homeowners association cannot use the same tax rulings and procedures relied upon by condominium associations in determining taxable income. Although a TAM is intended only to

apply to the taxpayer in question, the I.R.S. relied upon the conclusions drawn in the TAM to develop policy in this area.

As a result, the IRS was poised to require timeshare associations to include all regular member assessments in income, even assessments intended for capital reserves held in trust for future use. This would result in timeshare homeowners associations incurring significant federal tax liability simply for complying with state law and/or following sound business practice. ARDA-ROC felt it is entirely appropriate for states to require timeshare associations to maintain capital reserves in preparation for future expenditures, such as repairing or replacing a roof or repaving a parking lot. That said, it is profoundly unfair and unwise for the I.R.S. to develop policy in this area that will undermine state law and effectively discourage the sound business practice of maintaining capital reserves.

Therefore, ARDA-ROC countered the TAM by requesting that the I.R.S. Commissioner reconsider the ruling and the basis by which its conclusions were derived. To further ARDA-ROC's efforts, representatives met with senior ranking Treasury Department officials to encourage the I.R.S. to develop industry guidelines consistent with long standing accounting practices (the timeshare industry has been listed, for over two years, among those industries that should be provided industry wide guidance).

As good faith, industry efforts to develop a solution to the IRS proved fruitless, ARDA-ROC took the problem to Capitol Hill. With strong support from a senior Member of the tax writing, Ways and Means Committee, U.S. Representative Clay Shaw (R-FL), H.R. 1350, the "Homeowners Association Clarification Act" was introduced in the House of Representatives to resolve the controversy. The legislative proposal provides a safe harbor for timeshare associations from undue federal taxation by generally permitting timeshare HOAs to elect to be treated as tax exempt entities. To win congressional support for this plan, ARDA-ROC engaged in a massive grass roots campaign targeting key members of the U.S. House of Representatives and the U.S. Senate. Florida U.S. Senators Bob Graham and Connie Mack led that charge for owners in the U.S. Senate. The Homeowners Bill passed the U.S. House and Senate, and ARDA-ROC continued to work to ensure the President and Congress included the timeshare associations provision in the 1997 Balanced Budget Agreement. ARDA-ROC was successful in this effort and the President signed the Taxpayer Relief Act into law on August 5, 1997!

Specifically, this legislation permits qualifying timeshare associations, like other condominium associations, to elect to be treated as tax exempt entities under Section 528 of the Internal Revenue Code. If the Section 528 election is made, the timeshare HOA would pay a slightly higher rate on investment income, but would not be taxed on annual membership assessments, including excess and prepaid assessments, as well as capital reserves.

FLORIDA

ARDA-Florida worked on numerous issues on behalf of owners. Some of the bills included: the Homeowner Association Bill, DOT Transient Rental Tax, Collection Redemption (Ad Valorem), Electronic Filing of Returns, Condominium Act, Telemarketing Act Revisions, Tax Exemption Train, Burden of Proof and others. The budget request for these activities not only include legal fees, but the lobbying fees, as part of the overall legislative, administrative and judicial strategies.

HAWAII

Once again, ARDA-ROC helped hold off attempts by unfriendly legislators in Hawaii who were attempting to impose a TOT on timeshare owners and exchangers. This anti-timeshare sentiment among Hawaiian legislators has become an increased concern because during the 1996 elections, several legislators moved into key positions of power. In the past, ARDA-Hawaii has been successful defeating all such bills in the past, but given the new positions of specific legislators, this issue is high on their agenda. The Department of Revenue estimated that the provision, as proposed, would cost owners/exchangers \$ 90.00 - \$150.00 per week. This tax is essentially a cost to use/exchange fee.

ARDA-ROC lobbyists plan to utilize the resent Hawaii Socio-economic impact study to show the legislators the high impact timeshare owners have on the economy in Hawaii. In addition, if Hawaii is the first state to enact such a large state-wide TOT/TAT on timesharing, it could set a terrible precedent for all other "timeshare" states.

NEW HAMPSHIRE

New England had to act quickly to defeat a provision proposed by the Governor to promote tourism. This Bill would impose an 8% tax on timeshare maintenance fees by redefining "rent" to include timeshare maintenance fees and "hotel" to include timeshare units. The fast action by ARDA-ROC ensured that we were in a position to defeat this harmful Bill effectively.

MEXICO

ARDA-ROC approved funding for a request from owners in Mexico to assist in lobbying efforts with the Mexican Treasury Department with respect to desired changes and relief from the provisions of article 148-A of the Mexican Income Tax Law of 1997. This provision would require the land owner to withhold 22% tax on gross revenue from a rental. If an owner rents a week or puts the week into a rental program, 22% of income is withheld off the top, giving owners little profit after fees and services of rental agency are taken out. In addition, it is important to note the nature of the Mexican government, it is much more difficult to express views and positions on certain issues. For example, Mexico will draft laws and then present them after the fact - giving few opportunities to make any corrections. ARDA-ROC funds were to be used to get a letter from the Treasury Department eliminating this tax. Without the letter, only one year of relief would be possible and the issue would continue to arise. Funding was approved, but the issue did not end up surfacing as expected, therefore, funds were never forwarded.

ARDA-ROC Funding - 1996

HAVASU DUNES TIMESHARE ASSOCIATION

Havasu Dunes Timeshare Association is receiving funds to assist an ongoing battle with the State of Arizona Department of Revenue, which is requiring the payment of a Transaction Privilege Tax on timeshare owners as if they were transient occupants. The tax implications are sizable; the tax amounts to a 10 1/2 percent tax on the gross sale price. A tax of this nature will place an undue burden upon the Association members causing an increase in bonus time fees, as well as less bonus

time being utilized. The result would restrict owners options and adversely affect the fiscal health of the Association by curbing income.

CALIFORNIA

ARDA-ROC worked with ARDA-California to remove a Riverside County annual fee levied against timeshare owners, to pay for processing the owners' state property tax bill. The state of California originally intended this to be a one-time set-up service charge to cover administrative costs. Language subsequently added to the tax provisions in the late 1980's, clearly provided that California counties could recover their "actual cost" for separate tax billings, thus changing what many believed to be the original intent of the provision. Therefore, when Riverside County began billing annually, ARDA-California and ARDA-ROC began working with the California Assembly in altering this provision to ensure the tax processing fee was only a one-time set up charge rather than an annual charge. In an attempt to get this provision changed, ARDA-California and ARDA-ROC were told by Assembly staff and legislators from both parties, in no uncertain terms, that any limitation on the county's "actual cost" of billing timeshare owners' taxes separately was absolutely unacceptable.

It is also important to note that under current law, any timeshare resort that chooses to have owners property taxes billed separately by the county may never change that procedure. Therefore ARDA-California and ARDA-ROC concluded that not allowing a management company or resort to ever change the manner which owners are billed was unacceptable. ARDA-ROC and ARDA-California then initiated discussions with Assembly and Senate members. It was determined that an "opt-out" provision was an acceptable alternative. Due to the work of ARDA-California and support by ARDA-ROC, the provision now contained in A.B. 2530 will allow timeshare resorts to "opt-out" of the separate billing, if they decide that they or their management company can bill and collect the real estate taxes more cost effectively than the state. The bill passed the Senate Housing and Land Use Committee on July 1, 1996 by a vote of 7-0, and we do not anticipate any further problems. The bill is effective as of January 1, 1997, giving timeshare owners in California an alternative to payment of the annual fee.

HAWAII

Transient Occupancy tax -In 1996, legislation was introduced in the Hawaii legislature to impose taxes on timeshare owners. Several bills would have enacted a transient occupancy tax (TOT) which would have applied to all timeshare owners, exchangers and guests. A tax of this sort would dramatically and unfairly increase costs to timeshare owners, as well as set a totally unacceptable precedent which could be adopted by other states.

Upon the introduction of S.B. 2112 and H.B. 2689 into both houses of the Hawaii state legislature, ARDA denounced the TOT because it would impose an unfair and unconstitutional tax burden on owners of vacation timeshare property.

ARDA-ROC and ARDA-Hawaii successfully defeated the Hawaii TOT bill for 1996. However, it appears that some in the state will continue to seek additional taxes (such as a TOT) on timeshares in 1997. Over ARDA's protests, the Hawaii Hotel Association actively supports a TOT on timesharing, incorrectly equating timeshare ownership with renting a hotel room.

Real Property Taxes- ARDA-ROC provided assistance to kill the efforts by Hawaii's Kauai County to raise real property taxes on timesharing. There were numerous discussions with the Kauai County Council. Kauai's mayor continued to insist that timeshares be valued as the sum of the sales prices minus 50% (as they are in Florida), while the industry has pushed strongly for condominium value plus 20-30%. Although some in the industry want to oppose any and all increases, it is clear that Kauai will enact some form of increase regardless of what the industry does. Therefore, ARDA-ROC and ARDA-Hawaii chose to seek a compromise to decrease the impact on timeshare owners. At this point, it appears the county will have a two-year delay on any ordinance establishing value, but will use the Florida 50% deduction unless developers and owners' associations can establish a greater deduction (i.e. lesser real property value). Hawaii will continue to be a "hot spot" on tax issues as there is clearly a desire in the state to make timesharing pay more to help offset the revenue deficits.

FLORIDA

ARDA-Florida is working on numerous issues on behalf of owners. Some of the bills ARDA-Florida is worked on include: the Homeowner Association Bill, DOT Transient Rental Tax, Collection Redemption (Ad Valorem), Electronic Filing of Returns, Condominium Act, Telemarketing Act Revisions, Tax Exemption Train, Burden of Proof and others. The budget request for these activities not only include legal fees, but the lobbying fees, as well as public relations efforts as part of the overall legislative, administrative and judicial strategies.

ARDA-ROC Funding - 1995

HAWAII

ARDA-ROC funds were provided to assist ARDA Hawaii prepare for the 1995 legislative year. ARDA Hawaii closely watched a nonjudicial foreclosure bill which would give certain lien rights to timeshare associations and allow them to more efficiently and cost-effectively foreclose on those liens.

ARDA Hawaii was prepared to address the transient occupancy tax issue (TOT). This tax, if applied, would dramatically increase costs to timeshare owners and set a totally unacceptable precedent which could be adopted in other states.

OSCEOLA COUNTY, FLORIDA

Funding was given for legal research to determine whether or not to (and how) to fight Osceola County's proposal to expand its ad valorem taxation of furnishings in timeshare resorts.

WISCONSIN BUDGET

ARDA-ROC assisted owners in the state of Wisconsin beat a proposed budget bill. This Bill would have imposed a 5% sales tax to fixed, as well as flextime vacation ownership purchases, transactions and maintenance fees. The timeshare industry was unfairly singled out by the Wisconsin legislature in order to raise revenue. If this budget bill had passed, it would have forced interval owners to pay sales tax on their vacation ownership interests, including a sales tax on their property taxes, as well as a sales tax on their initial purchase.

FLORIDA

Monies were provided to ARDA-Florida for several issues, including the 1995 Condo Bill, Call Aggregator and Chapter 721.

Study Grants - 1995

RESALE STUDY

In 1995, ARDA-ROC provided funding to the Resale Task Force to conduct a comprehensive legal review of the implications of federal anti-trust statutes in relation to the resale market. This research is necessary to help establish a stronger secondary sales market for the owners of timeshare. This study includes research and analysis of the application and implications of federal antitrust statutes and certain other laws of resale timeshare interests. The study includes a review of resale programs as well as designing and supporting alternative solutions. The study has been completed and has been distributed to ARDA member companies, and can be purchased by contacting ARDA Publications Department.

ERA TAX STUDY

In conjunction with ARDA, ARDA-ROC assisted in funding a study which will be used by ARDA lobbyists to protect and maintain the mortgage interest deduction. This study looks into the demographics and income levels of individuals who own second homes and timeshare. This study provides the needed information to support the concept of wide and varied vacation ownership throughout the country.

ARDA-ROC Funding - 1994

COLORADO

This grant was made to ARDA-Colorado to defeat proposed legislation aimed toward reclassifying timeshare properties and resort condominiums from "residential" to "hotel/motel commercial" for real estate taxing purposes. These funds were used to hire lobbyists and experts to defeat this action, for the third time.

NEVADA RESORT PROPERTIES/POLO TOWERS HOA

Nevada Resort Properties and Polo Towers requested funds to enact legislation that coordinated the Uniform Common Interest Ownership Act and the Timeshare Act in order to create equality and uniformity between regulations.

HAWAII

ARDA-ROC supported ARDA-Hawaii to complete payments for writing comprehensive plan management legislation for the state of Hawaii. With assistance from ARDA-ROC, ARDA-Hawaii defeated the Transient Occupancy Tax (TOT) bill, but continues to face more tax challenges. The

state enacted a resolution to "study" ways in which the TOT or some other new tax might be applied to timeshare owners. Notwithstanding, Hawaii's own director of revenue's statement that applying a TOT to timeshare owners would be unconstitutional.

ARDA-FLORIDA

Front Desk Licensing - ARDA-ROC funds were used to help define an existing law that was very broad and required all personnel, even those at the front desk, to be licensed in timeshare sales. This broad form of the law created additional operational expenses for HOAs which were unnecessary.

Timeshare Sales Tax - ARDA-ROC funds were used to help modify the State of Florida Department of Revenue rules to limit the application of two new sales taxes on timeshare resorts.

Sales Tax Registration Fee Increase - ARDA-ROC funds were used to help defeat the State of Florida's Department of Revenue's efforts to increase dealer registration fees for sales tax and to expand the fees to individual timeshare owners.

Clarification of Court Jurisdiction Mortgage Foreclosures - Prior to October 1, 1990, all foreclosure actions were heard in Florida Circuit Court. But in 1990, the law was changed, so foreclosure actions less than \$15,000 (most timeshares) could be heard in county court. The way the law was written, it was unclear whether foreclosure actions could be filed in either circuit court, county courts or both. In 1993, ARDA Florida, with the assistance of ARDA-ROC intervened in a State Supreme Court case by requesting that foreclosures could be filed in either court. The Court ruled to maintain concurrent jurisdiction which preserved the validation on all foreclosure actions filed by HOAs.

Study Grants - 1994

PROPERTY MANAGEMENT STUDY

This study was requested by the Property Management Committee of ARDA. It provided basic data regarding the status of timeshare resort management in the U.S. including problems experienced by managers and association boards, costs associated with resort management, the need for reserves and their uses, and legislative as well as regulatory concerns.

ARDA-ROC Funding - 1993

UTAH

Owners' Resorts & Exchange Grant - Funding was granted to a Utah management company that faced a serious challenge in an I.R.S. audit of association funds. The I.R.S. took the position that unused reserve funds carried over to a subsequent year were taxable as income to the association. Such a conclusion by the I.R.S. would have devastating effects on owners' associations in Utah and throughout the country. ARDA-ROC provided funding for attorneys' and accountants' fees to challenge the I.R.S. The I.R.S. ultimately changed its position and the association's reserve funds were not taxed.

ARDA-ROC has continued to be active in other instances (in Florida and California) where the I.R.S. is taking a similar position regarding association reserves.

HAWAII

ARDA-Hawaii was granted funds to help enact reasonable resort management legislation to defeat a bill which would have applied the state's transient occupancy tax (TOT) to timeshare owners occupying their own units.

ARDA-Hawaii helped pass a management bill that did not include an ill-conceived provision which could have left owners without a manager.

Hawaii developers and management companies funded the remainder of the 1993 legislative effort, totaling more than \$100,000.

FLORIDA

Funds were used to defeat assessment of a sales tax on housekeeping and pest control services of the timeshare owner unless the owners makes their unit available for rent. Had this rule not been opposed by ARDA ROC, owners would have had higher taxes and the Florida Department of Revenue would have reclassified all timeshare units as commercial rather than residential property. Such a reclassification would have likely resulted in higher taxes in other areas, as well as higher maintenance fees.

ARDA-ROC funds were used to support new vacation club amendments to the Timeshare Act. These amendments contained a vital consumer protection component in bringing previously unregulated clubs under the state's timeshare law. Florida is the first state in the country to regulate this new vacation industry product.

Funds were used for ongoing legislative oversight to review and prevent passage of any bills adversely affecting owners, particularly in the area of taxes.

Study Grants - 1993

ECONOMIC/FISCAL IMPACT OF THE VACATION OWNERSHIP INDUSTRY

Through ARDA Florida, ARDA-ROC helped fund 50% of this study performed by Fishkind & Associates, Inc. of Orlando and published in April 1993. The study was used by industry lobbyist to show the already large contributions of the timeshare industry and timeshare owners to the economic well-being of the state, thus helped to prevent additional taxes on the industry and owners.

PUERTO VALLARTA ECONOMIC IMPACT STUDY GRANT

ARDA-ROC agreed to contribute \$6,000 to a socio-economic impact study of timeshare resorts and owners in Puerto Vallarta, Jalisco, Mexico. The bulk of the study was funded by contributions from the Puerto Vallarta Timeshare Association, Interval International, Resort Condominiums International, and Incredible Journeys, an industry travel company.

The purpose of the study was to educate the government of Mexico on the contribution of timesharing and timeshare owners in its growing tourist economy and to prevent adverse regulatory actions. The study served as the impetus to a country-wide study of timesharing in Mexico funded by the International Foundation for Timesharing and AMDETUR, the Mexican timeshare association.

ARDA-ROC Funding Grants - 1992

CALIFORNIA

ARDA-ROC helped stave off negative legislation which would have eliminated second home mortgage interest deductions.

In addition, ARDA-ROC assisted ARDA California in its fight against legislation deregulating non-U.S. timeshares, as it would be harmful to consumers.

COLORADO

The Colorado legislature attempted to reclassify timeshare units from residential to commercial, a change to the tax code that would have doubled real estate property tax rates. But the persistence of ARDA-ROC made certain that Colorado would not change the tax code.

MARYLAND

ARDA-ROC funds successfully defeated an attempt to ban timeshare within the state.

FLORIDA

ARDA-ROC helped fund an effort to change the Ad Valorem tax lien provisions which adversely affected timeshare owners. Ultimately, the compromise bill was eventually killed in the House.

Study Grant -1992

CALIFORNIA ECONOMIC IMPACT STUDY

ARDA-ROC contributed funds to an economic impact study of timeshares in California. This study was used to show the contributions of timeshare owners to the economic well-being of the California and thus help prevent new taxes on timeshare owners.

ARDA-ROC Funding Grants - 1991

COLORADO

ARDA-ROC sponsored legislation to clarify the tax status of timeshare units. The state legislature wanted to change the classification of timeshare units from residential to commercial. If this legislation had passed, the reclassification would have raised the property tax rates from 15 percent to 29 percent.

FLORIDA

ARDA-ROC sponsored extensive amendments to the state's timeshare act and obtained numerous amendments to the Condominium Act on behalf of Florida timeshare owners. The timeshare amendments provide that managing entities who are not developers in their own right will be exempt from Chapter 721 when they resell timeshare weeks that they acquire for their own account to existing owners at the resort - thus easing the way for associations to dispose of foreclosed inventory.

The amendments also provided privacy protection of owners' association lists by requiring the managing entity to obtain the owner's prior written consent before distributing his or her name and address.

The ROC Report

The ARDA Resort Owners Coalition Newsletter

The ARDA-Resort Owners Coalition (ARDA-ROC) is a non-profit program sponsored by the American Resort Development Association (ARDA), dedicated to preserving, protecting and enhancing the ownership of vacation resort property.

Resort Owners Coalition & ARDA-Carolinas Beat Tax in '98, Look to Streamline Association Collections in '99

After successfully defeating 1998's adverse regulatory proposal to tax exchanges into South Carolina at seven percent of the "fair market rental value" of the week, ARDA-Carolinas is planning to tackle non-judicial foreclosure in South Carolina in 1999. Like last year's successful Florida initiative (*see article to right*), the proposed legislation will make it easier and quicker to foreclose delinquent assessment liens.

The proposal will allow associations to consolidate multiple defendants and junior interest holders into one action, lowering the cost of such proceedings to the association. Additionally, the process significantly streamlines the complicated notice process, ensuring adequate notice while allowing associations to move more rapidly to foreclose delinquent unit weeks and return them to productive, assessment-paying status.

Owners Benefit from Legislation Passed in Florida

On April 30, 1998, Florida passed legislation to streamline and expedite the current judicial foreclosure process. ARDA-ROC and ARDA-Florida worked for the last two years, in cooperation with the Florida Legislature and Florida Bar, to craft legislation that would assist homeowners associations in more efficiently dealing with unpaid and delinquent timeshare maintenance assessments.

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Fight for Tax Exemption Continues in Wisconsin

While ARDA-ROC and ARDA-Wisconsin continue to pursue repeal of the 1989 sales tax on flex-time, deeded timeshare property, the Governor has proposed placing sales tax on all transactions and on all timeshare maintenance fees. The provision was removed on a technicality from the 1997 Wisconsin omnibus tax bill and was similarly killed in the 1998 "trailer bill," which also contained controversial legislation concerning state funding of abortions.

The Wisconsin Department of Revenue strongly but stealthily opposes the measure, and ARDA has engaged additional lobbying support in Wisconsin to resolve the WDR's concerns.

ARDA-ROC & ARDA-New England Push for Fair Tax Assessments

ARDA-ROC and ARDA-New England are working on a legislative initiative to fight a detrimental application of timeshare interest appraisal methods in Maine. Language has been drafted and counsel retained to convince the legislature that the valuation of timeshare interests based on the aggregate of sale prices of each unit is incorrect and inappropriate. Currently, ARDA-ROC and its lobbyist are shepherding corrective legislation through the Maine legislature.

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ARDA-ROC Backed Tax Bill Enacted in Utah

Due to expeditious action by ARDA-ROC, tax legislation favorable to the vacation owners and the timeshare industry was enacted during Utah's short budget session.

The bill passed on March 3 after a pitched battle with assessors, a few legislators and the Park City Attorney who had threatened that "no timesharing would be approved in Park City" if the tax bill passed.

ARDA-ROC provided emergency funding for a lobbyist after the assessors raised objections to the bill. Their hard negotiating work resulted in legislation acceptable to the timeshare industry and the assessors — as well as one key legisla-

tor and the Governor, who had both originally opposed the bill.

The bill resulted from a State Supreme Court decision which overturned existing Utah law and set the stage for assessment of timeshares "by the week." In late 1998, many timeshare resorts found they were being reassessed based on the "sum of the sales prices." Several resorts faced outrageous real property tax increases, particularly in the Park City area where many resorts are concentrated.

The Bill, S.B. 220, provides that the real property value of a timeshare will be "exclusive of...any intangible property and rights associated" with its operation or use, including any fees or costs of the

sale of timeshare interests that exceed cost "normally incurred in the sale of other similar properties." Also excluded from the real property value of a timeshare are other fees and costs related to operation, ownership and use, exchange rights, vacation services, club memberships and other "intangible" benefits.

There was one other side benefit to the dialogue between Summit and Salt Lake County assessors and ARDA-ROC. An assessor re-examined prior years' timeshare assessments, with the result that one resort's owners will save nearly \$300,000 in taxes, despite the fact that the appeal date had already expired for that year's taxes.



April 1999

Dear Ocean Pointe Owner:

Here is your spring mailing, which gives you an update about resort happenings, a volunteer form, Board of Directors listing and the ARDA-ROC newsletter. Next year this mailer will also include the financial results of the previous year.

It is hard to believe that it has been almost four months since the resort opened. With each arrival and departure, the operational departments continue to fine-tune their tasks. The positive comments by guests continue to motivate the associates and encourage them to find new ways to enhance your vacation experience. Each week, I host an owner forum to obtain your feedback, which has already assisted with numerous changes in the interior of the units that will positively impact your visit.

The swimming pools and beach are obviously the main attraction at the resort. Starting the day off at water aerobics is a must. (If you are near the pool and not participating, Jeff, our Receptions Manager, will find a way to get you in the water!) But, when you need a break from the water, there are a host of other activities that our Activities Staff has created—just for you. Kid's Night Out has been a hit for both kids and adults. When the adults want to get away from it all, the Activities Staff will entertain the kids from 6 to 10 p.m., the highest attendance to date is 22 kids! The Concierge Staff has literature, brochures and contacts to ensure your vacation is everything you want it to be. From dining to sightseeing, or golfing to fishing, they can help you plan your daily activities. The MarketPlaceSM opened in February and is the hot spot for lunch. Daily specials are prepared so that you will not miss a minute of the sun.

At the fall Board of Directors meeting to be held on September 28, 1999, owners will elect two members to the Board of Directors. Attached is the Ocean Pointe Board of Directors Volunteer Form that must be returned to Ocean Pointe by July 1, 1999. If you are interested in being on the Board of Directors, I strongly urge you to take the time to complete this form.

The American Resort Development Association (ARDA) is the industry association representing condominium developments worldwide and is supported by Marriott Vacation Club owners. ARDA tackles the common issues all interval ownership properties share. Please see the attached newsletter with the latest updates.

The entire staff at Marriott's Ocean Pointe looks forward to your arrival and the opportunity to make your vacation experience a memorable one.

Sincerely,

Melissa Fritsche
General Manager

The ROC Report®

The ARDA Resort Owners Coalition Newsletter • Spring 1999

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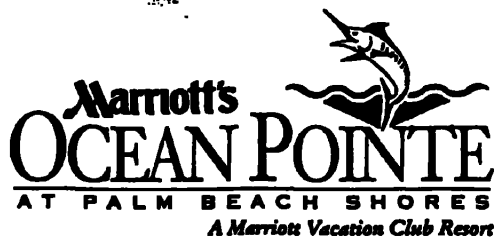
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Meghan Evett • ARDA-ROC • 1220 L Street, N.W. • Suite 500
Washington, D.C. 20005 • 202.371.6700 • 202.289.8544 Fax • www.arda.org



**CONDOMINIUM ASSOCIATION, INC.
BOARD OF DIRECTORS**

NAME & ADDRESS	PHONE & FAX	OFFICE HELD	TERM
John D. Albert Marriott Vacation Club International 6649 Westwood Blvd., Suite #500 Orlando, FL 32821-6090	(O) 407/206-6232 (F) 407/206-6043	Vice President	Developer Representative
Becky Bagwell Marriott Vacation Club International 6649 Westwood Blvd., Suite #500 Orlando, FL 32821-6090	(O) 407/206-6051 (F) 407/206-6043	Director	Developer Representative
Kurt Fleckenstein Marriott Vacation Club International 6649 Westwood Blvd., Suite #500 Orlando, FL 32821-6090	(O) 407/206-6233 (F) 407/206-6043	Secretary/ Treasurer	Developer Representative
William J. Love Marriott Vacation Club International 6649 Westwood Blvd., Suite #500 Orlando, FL 32821-6090	(O) 407/206-6231 (F) 407/206-6043	President	Developer Representative
Carol Simmons Marriott Vacation Club International 6649 Westwood Blvd., Suite 500 Orlando, FL 32821-6090	(O) 407/206-6224 (F) 407/206-6043	Director	Developer Representative

Marriott's

SABAL PALMS

A Marriott Vacation Club Resort

November 1998

Dear Fellow Sabal Palms Owners:

Your Board of Directors held its fall meeting with our Marriott management team and also the Associations' Annual Meeting with owners on October 21, 1998. Highlights are detailed below:

Additional Services

Beginning January 1, 1999, owners arriving on Friday, Saturday, or Sunday may check in until 8:00 p.m. at the Sabal Palms Clubhouse. From 8:00 p.m. until 11:00 p.m., a villa representative will be located at the Orlando World Center Marriott hotel to provide check in services.

USA Today

Marriott Vacation Club International resorts have been extended the option to receive *USA Today*. Your Board has approved this amenity and each villa will receive a copy of the newspaper, Monday through Friday, starting in 1999.

Video Rentals

The Sabal Palms Pantry has a selection of videos available to rent for use in the new video cassette players located in the living rooms. The rental fee can be charged to your room account.

Resales

The resales program in Orlando will have a new Resales Gallery scheduled to open by the end of this year; it will be located on Highway 192. As of September 30, 1998, 42 weeks have been sold for an overall gross of \$537,000. Currently, there are 112 weeks available for sale. Those interested in listing or buying a week may contact the resales office at 1-888-827-1119.

Refurbishments

During 1998, the following projects will be completed:

- Parking lot repaving
- Master and guest bedroom mattresses replaced
- Master bathroom lighting added
- Electronic key system – Saflok – to be installed
- Pool deck recoating
- New stoves and microwaves
- Master bathroom tile replacement
- Master bedroom floor lamp, side table, and dining room floral will be replaced

1999 Budget

Operating Fee:

Your 1999 operating fee is \$371.73. This is an increase of \$20.40 per unit week or 5.8%. This, along with the reserve contribution, represents a total 7.39% increase. The largest increase is in wages, which is necessary to remain competitive in the Orlando labor market.

Reserve Fee:

During 1997 and 1998, more reserve projects were completed at Sabal Palms than ever before! Therefore, it is necessary to begin to rebuild our reserve fund. Your 1999 reserve fee will be \$70.00, an increase of \$10.00 per unit week, or 16.67%.

Your Board approved an investment firm to manage our reserve fund to improve our interest returns and ensure sufficient funds are available as needed.

Accounts Receivable

Significant progress has been made in collections. The 1998 year-end forecast is \$72,476. Approximately \$22,000 in proceeds from foreclosures will reduce our bad debt losses. Of the \$49,453 in unpaid fees, \$16,059 (32.5%) is property taxes. Some owners are not paying on time because of the single bill for maintenance fees and taxes. This combined bill enables us to pay our tax bill in time for a 4% reduction without a loan, for which we pay interest. All owners should pay their taxes and maintenance fee by the due date.

ARDA Support

We strongly urge you to include your \$3.00 contribution with your maintenance fee, as most Marriott Vacation Club International owners support this organization. The American Resort Development Association (ARDA) has recently succeeded, through legislation, in preventing the IRS from taxing our reserves. ARDA also was instrumental in simplifying lien filing, reducing our expenses, and speeding up foreclosures of delinquent units.

Volunteers

You will find a Board member volunteer form as part of this package. Please consider becoming a volunteer; your time and talent would be of valuable assistance to the Board.

Reservation Reminder

If you have not made your 1999 reservations please call Owner Services at 1-800-845-4226 or 801-468-4089 as soon as possible. This will improve your chances for your first choices and avoid phone call delays caused by last minute wishes.

Resort Operations

Customer satisfaction scores continue to increase in the areas of *cleanliness, everything in working order and overall satisfaction*. This is a result of the dedication and performance of our resort staff. Join us in thanking them.

Also, we appreciate owners who communicate, attend our meetings, and share their comments and concerns, which allows us to improve. Please continue to provide input to your Board and management company. Thank you for your support.

The Sabal Palms Board of Directors

John McSween, President
Dan DiGiovacchino, Vice-President

Ray Lantz, Secretary
Ruth Schriefer, Treasurer

Ken Kelly, Director

ARDA-AO 000042

**ORLANDO WORLD CENTER MARRIOTT
HOTEL EXPANSION UPDATE**

PHASE	PROJECT	STATUS	COMPLETION DATE
1	Golf Course	<ul style="list-style-type: none"> • Redesign • Installation of grass & hazards • Playable 	<ul style="list-style-type: none"> • Complete • Underway • April/May 1999
1	Parking Garage ¹	<ul style="list-style-type: none"> • Site work • Construction of garage • Usable 	<ul style="list-style-type: none"> • Complete • Underway • January 1999
1	JW's Restaurant ²	<ul style="list-style-type: none"> • External refurbishment • Closed for business • Reopening 	<ul style="list-style-type: none"> • Underway • November 1998 • March 1999
1	Golf Pro Shop ³	<ul style="list-style-type: none"> • Closed for business • Reopening 	<ul style="list-style-type: none"> • November 1998 • March 1999
1	Sabal Palms Access Road	<ul style="list-style-type: none"> • Relocation • Opening of new road 	<ul style="list-style-type: none"> • Underway • TBD
2	Tower (Including 500 additional rooms)	<ul style="list-style-type: none"> • Site work • Construction • Completion 	<ul style="list-style-type: none"> • December 1998 • December 1998-99 • January 2000
3	Health Club & Pool	Features will include spa facilities, expanded children's activity area & pool, juice bar, and retail.	TBD
3	Food Court	Redesign for improved quality and different food outlets	TBD

¹ Parking garage construction has eliminated 200 parking spaces. While the golf course is being redesigned, the hotel is using the course for parking.

² Upon completion, features will include: additional seating, private party capabilities, improved food preparation areas, and expanded bar area.

³ Project will include modernization of locker rooms and golf pro shop.

**1999 APPROVED BUDGET
SABAL PALMS OF ORLANDO CONDOMINIUM ASSOCIATION
SUMMARY OF COSTS PER UNIT WEEK**

	1998 Forecast	1998 Budget	1999 Approved Budget	98/99 Budget Variance	1999 Budget (dollars)
OPERATIONS BUDGET					
Pool Maintenance	7.48	7.99	7.92	(0.07)	31,680
Gas	1.87	1.71	1.68	(0.03)	6,700
Landscaping & Grounds Maintenance	18.42	18.54	18.30	(0.24)	73,193
Refuse Collection	1.56	1.53	1.56	0.03	6,240
Pest Control	1.85	1.81	1.88	0.06	7,500
Electricity-Villas/Common Areas	31.25	34.66	32.19	(2.47)	128,760
Telephone	7.80	8.07	8.07	0.00	32,292
Accounting & Administration					
Corporate Administration	4.75	4.75	4.65	(0.10)	18,600
Resort Administration	24.10	18.29	18.07	(0.22)	72,290
Human Resources	2.77	2.63	3.67	1.04	14,679
On-Site Accounting	12.40	11.23	10.06	(1.17)	40,258
Accounts Receivable	6.51	6.50	7.75	1.25	31,000
Cable Television	1.81	1.88	1.88	(0.00)	7,500
Insurance	12.13	12.34	13.46	1.12	53,852
Front Desk	13.57	14.49	14.59	0.10	58,361
Owner Services	10.00	10.00	15.00	5.00	60,000
Management Fee	35.98	35.98	38.53	2.55	154,123
Loss Prevention	1.50	2.00	2.55	0.55	10,200
Maintenance	43.72	42.42	44.26	1.84	177,055
Managing Entity Fee (State of Florida)	2.00	2.00	2.00	0.00	8,000
Postage Printing & Handling	3.26	5.00	3.75	(1.25)	15,000
Annual Audit	2.09	1.84	1.69	(0.15)	6,750
Board of Director's Expenses	1.90	3.16	2.25	(0.91)	9,000
Water & Sewer	11.00	12.00	10.75	(1.25)	43,000
Total Housekeeping	94.74	90.54	95.55	5.01	382,217
Manpower & Operating Expenses	161.19	90.54	8.07	75.08	662,467
Cleaning Income	-66.44	0.00	8.07	(71.31)	-285,250
Laundry & Linen	0.00	0.00	8.07	0.00	0
Guest Supplies & Operating Expenses	0.00	0.00	8.07	0.00	0
Tram Expense	5.00	5.00	8.07	0.00	20,000
Bad Debt Expense	5.00	5.00	3.50	(1.50)	14,000
Other Income	(18.60)	(17.79)	-17.24	0.55	(68,970)
Outside Legal	0.00	0.50	1.00	0.50	4,000
Credit Card Fee	14.37	9.25	12.89	3.64	51,556
Income Tax Expense	6.27	3.01	6.27	3.26	25,073
Deficit Reduction			1.50		6,000
Year 2000 Expense			1.75	1.75	7,000
Operations Fee	361.50	351.33	371.73	20.40	1,486,909
Reserve for Replacement Fee					
Roof	2.40	2.40	3.40	1.00	13,600
Furniture & Fixtures	48.00	48.00	52.00	4.00	208,000
Building Painting	0.00	0.00	0.00	0.00	0
External Building Maintenance	1.20	1.20	2.20	1.00	8,800
Pavement Resurfacing	2.40	2.40	3.40	1.00	13,600
Common Area Rehabilitation	6.00	6.00	9.00	3.00	36,000
Reserve Fee	63.00	63.00	73.00	10.00	280,000
Total Maintenance Fee-Credit Card	421.50	411.33	441.73	30.40	1,746,003
Less Credit Card Fee/Cash Discount	(14.37)	(9.25)	(12.89)	(3.64)	(51,556.00)
Total Maintenance Fee-Cash or Check	407.13	402.08	428.84	26.76	1,715,354
Property Taxes - Pink 1-6, 34-35	107.07	172.01	107.07	(64.94)	68,525
Property Taxes - Red 7-17, 24-33, 50-52	125.17	146.26	125.17	(21.09)	240,326
Property Taxes - White 18-23, 40-49	125.25	144.20	125.25	(38.95)	126,300
Property Taxes - Blue 36-39	63.07	116.39	63.07	(53.32)	20,182
Total Cash Maint. Fee & Taxes-1-6,34-35	514.20	574.29	515.91	(58.18)	
Total Cash Maint. Fee & Taxes-7-17,24-33,50-52	532.30	548.34	545.31	5.67	
Total Cash Maint. Fee & Taxes-18-23,40-49	512.38	546.28	514.29	(12.19)	
Total Cash Maint. Fee & Taxes-36-39	475.20	518.47	491.91	(26.56)	

Frequently Asked Questions about Maintenance Fees

Q. What are maintenance fees and who determines them?

A. Maintenance Fees are those funds collected by your Association to cover the cost of operating the resort, future maintenance and refurbishments. Maintenance fees are collected at the beginning of each year and are determined by your Associations' Board of Directors.

Maintenance fees include:

Operating Fees: These funds cover the cost of all resort expenses incurred on an annual basis, i.e., electricity, phone, management fees.

Reserve Fees: Planned funding of capital replacement expenditures to avoid special assessments for replacement of large items, i.e., refrigerators, roof repairs.

Special Assessment: Funds collected for those unexpected capital expenditures that arise from time to time.

Q. When are maintenance fees billed and when are they due?

A. Annual maintenance fees are billed by December 15, for the subsequent year and are due 30 days after the statement date. Vail properties (excluding Evergreen) are billed quarterly and have a 30-day payment window, or the option to pay by the first quarter due date.

Q. Where do I send my payments and to whom do I make my check payable?

A. Please send your payments, both maintenance fees and loans, to the following address:

**MARRIOTT
Post Office Box 911020
Orlando, FL 32891-1020**

Please include your account number and inventory ID with your payments. Checks should be made payable to MVCI or Marriott.

Q. Can I pay the balance of my maintenance fees with a credit card by phone?

A. Yes. Please call (800) 443-4391 and a Customer Service Counselor will assist you. The Counselor will request the following information: type of credit card and number, expiration date, cardholder's name, and the amount to be charged.

Q. Why aren't maintenance fees pro-rated?

A. As an owner, you are responsible for the entire year's maintenance fee if you are eligible to occupy during that year. Therefore, whether you close on your purchase the first week of the year or the last week of the year, if you are entitled to current year's usage, you will be billed for the annual maintenance fees.

Q. How does escrow work?

A. If you have an open loan for your week with MVCI, you are eligible to escrow future maintenance fees. Maintenance fees are escrowed from February through January.

Example: If you begin escrowing in February 1999, your loan coupon will include your escrow payment, however, your escrow will not be disbursed until your 2000 maintenance fees are due. You will receive a maintenance fee statement indicating your escrow is to pay for that year's maintenance fees.

The deadline for enrollment is December 15. You will remain in the escrow program until your loan is paid in full or, if you choose to cancel, you may send us authorization in writing. Escrow amounts are not applied toward late charges, special assessments, interest, return check fees, or legal fees. ARDA-AC 000045

**SABAL PALMS OF ORLANDO CONDOMINIUM ASSOCIATION, INC.
BOARD OF DIRECTORS**

NAME & ADDRESS	PHONE, FAX & E-MAIL	OFFICE HELD	TERM
Dan J. DiGiovacchino 64 Treaty Drive Wayne, PA 19087	(H) 610/296-2487 (O) 610/296-2487 (F) 610/695-0724 Jodancbk@aol.com	Vice-President	3 Year 1996 – 1999
Kenneth D. Kelly 1120 Judson Road Spring, MI 49456	(H) 616/846-2329 (O) 616/798-4311 (F) 616/798-3753 kellysales@novgate.com	Director	3 Year 1997 – 2000
Raymond C. Lantz, Jr. 319 Gulf Road South Dartmouth, MA 02748	(H)508/994-7454 (O)508/998-8800 (F)508/995-9300 raylantzjr@aol.com	Secretary	3 Year 1996 – 1999
John R. McSween 12834 Country Ridge San Antonio, TX 78216	(H) 210/494-1148 (O) 210/494-1148 (F) 210/494-1159 *(M)210/710-8522 **(P) 800/777-4681: pin #3526170	President	3 Year 1999 – 2001
Ruth M. Schriefer 4324 Cambria Circle Virginia Beach, VA 23455	(H) 757/497-3818 (O) 757/497-3818 (F) 757/499-9887 texmadre@aol.com	Treasurer	3 Year 1999 – 2001

*M=Mobile Phone

**P=Pager

Marriott's SABAL PALMS

A Marriott Vacation Club Resort

MEMBER VOLUNTEER FORM

AS CANDIDATE FOR NOMINEE TO THE BOARD OF DIRECTORS

At the October 1999 Annual Meeting, owners will be electing two members to the Board of Directors to serve three-year terms. The Board of Directors meets with Marriott management twice a year to plan and conduct the business of the Association. These meetings are considered regular meetings of the Board of Directors and usually last a full day. Members are reimbursed for expenses incurred for travel, lodging and meals in accordance with a Board-approved expense reimbursement policy. Conference calls or other special Board meetings may also be required during the year.

You are encouraged to volunteer your time and efforts if you have the interest and a background that would be beneficial in directing the operation of your Association. Please return your form no later than March 1, 1999, to be considered for nomination as a candidate for the Board of Directors.

NAME:

ADDRESS:

RESORT(S) OWNED:

VILLA(S)/WEEK(S) OWNED:

EMPLOYER/OCCUPATION:

EDUCATION/DEGREE:

TELEPHONE:

(HOME)

(BUSINESS)

FAX:

E-mail:

List your experience or professional accomplishments, including service on a real estate advisory board or property management committee, which lend to your abilities as a potential Board member and how your participation would benefit the Condominium Association.

How would your participation benefit the Sabal Palms Condominium Association and what specific issues or areas of association management are of concern to you?

Additional information or comments:

Please refer to the questions and answers contained in this form to summarize your submission. If nominated, this paragraph will be published for all owners to consider your qualifications to serve on the Board. Please limit your submission to no more than 70 words.

SIGNATURE OF MEMBER VOLUNTEER: _____

Complete and mail or fax to:

**MARRIOTT'S SABAL PALMS RESORT
8404 VACATION WAY
ORLANDO, FL 32821
FAX: (407) 238-8988
ATTENTION: SHERRY BLAKE**

Please return by March 1, 1999

**PLEASE KEEP IN MIND THAT SUBMISSION OF A VOLUNTEER FORM IS NOT A
GUARANTEE OF BEING SELECTED AS A NOMINEE**