

## Marriott's Aruba Ocean Club

### Frequently Asked Questions September 30, 2009

In response to recent inquiries from Owners regarding the ongoing refurbishment of the resort, annual maintenance fees, association governance, the Spring 2009 annual meeting and other issues, please find below answers to the most frequently asked questions. Please note that you may find additional information in the Frequently Asked Questions prepared by the Board of Directors in December 2008, a copy of which is available at [www.arubaoceanclub.com](http://www.arubaoceanclub.com).

**Question:** *Why did my maintenance fees increase so much from 2008 to 2009?*

**Answer:** The recent maintenance fee increases are due to a number of factors, including increased utility and labor costs, inflation in excess of 10% in Aruba, hurricane damage that fell within the insurance deductible limit, and ongoing resort refurbishment. More than 75% of the budget increase in 2009 was directly related to expenses that are not directly controllable by management.

The costs of operating Aruba Ocean Club are borne by the Association and are paid by owners through maintenance fees. MVCI bears a share of these expenses by virtue of its ownership of certain commercial space at Aruba Ocean Club as well as its ownership of a number of weeks at Aruba Ocean Club.

Please refer to the 2008 Annual Maintenance Fee Letter and the 2008 Annual President's Letter which can be found on the Association's website: [www.arubaoceanclub.com](http://www.arubaoceanclub.com). These letters provide further detail regarding the maintenance fee, what costs the maintenance fee covers, and the increase in costs that contributed toward the increase in the maintenance fee.

**Question:** *Why was the hurricane damage from 2008 not covered by insurance?*

**Answer:** Aruba Ocean Club incurred hurricane repair expenses due to Omar in an amount which fell within the Association's insurance deductible limit of 1% of the total building value. As a result, these expenses must be covered by assessments paid by owners. MVCI bears a share of these expenses by virtue of its ownership of certain commercial space at Aruba Ocean Club as well as its ownership of a number of weeks at Aruba Ocean Club.

**Question:** *Why did the Aruba Ocean Club roof need to be replaced?*

**Answer:** Initial construction of the Aruba Ocean Club building commenced prior to MVCI acquiring the property but was halted in the early 1990s due to cost overruns. MVCI acquired the property in 1996 and engaged architects and engineers to review the property and assist with the design of Aruba Ocean Club. Based on these recommendations, MVCI completed construction of the resort and opened Aruba Ocean Club in early 1999.

The original roof was installed as part of the initial construction of the Aruba Ocean Club building in the early 1990s. As part of the completion of the construction of the resort, the roof was restored and repaired. Additionally, subsequent to the opening of Aruba Ocean Club, further maintenance and repair of the roof was carried out, including reroofing of a substantial portion in late 2000/early 2001 at no cost to the Association.

By 2008, given the harsh conditions in Aruba, the roof was approaching the end of its useful life. Rather than simply repair the existing roof, the Board of Directors determined to replace the entire roof using state-of-the-art technology. The new roof has been reviewed by independent experts engaged by the Board to ensure proper design and installation and is covered by a 10-year warranty. MVCI agreed with the Board to pay a substantial portion of the cost to replace the roof based on the period of time that the roof was in place prior to the opening of Aruba Ocean Club.

A full inspection of the roof was completed in 2008 by an independent engineering firm. The firm's inspection revealed minor non-structural corrosion of limited portions of the metal roof framing structure and recommended sandblasting and painting to address this issue. This remediation was completed in August of this year. A copy of the engineering firm's report was provided to the full Aruba Ocean Club board in mid-2008 and is available to Aruba Ocean Club owners on the Association's website [www.arubaoceanclub.com](http://www.arubaoceanclub.com).

**Question:** *Where can I find copies of recent reports prepared by the consultants engaged by the Association and MVCI to review Aruba Ocean Club?*

**Answer:** Copies of recent engineering reports are available on the Association's website [www.arubaoceanclub.com](http://www.arubaoceanclub.com). These reports address issues relating to indoor air quality, HVAC systems, building structure and roof. Any maintenance items recommended by these reports have been completed or are scheduled to be completed by year end.

**Question:** *Why does Aruba Ocean Club need a refurbishment at this time?*

**Answer:** Marriott's Aruba Ocean Club opened in early 1999 and has consistently experienced one of the highest occupancy rates in all of the Marriott Vacation Club resort system. Owner feedback tells us that while owners enjoy coming to Aruba, the rooms have tired from use and their current condition detracts from their overall experience. The hospitality industry standard for hotels and resorts such as Marriott's Aruba Ocean Club is to replace "soft goods" (carpet, curtains and fabric) every 5 years and to do a total replacement (appliances, cabinets and furniture) and upgrade every 10 years. A 94% occupancy rate coupled with the harsh Caribbean climate makes the refurbishment necessary. Given the lead time needed to effectuate refurbishments of this magnitude, plans for the current refurbishment commenced in 2007. The Board approved the current refurbishment plan, and contracting activity, including the placing of orders and engagement of the necessary contractors, commenced shortly thereafter.

In addition to the anticipated refurbishment of the building interior and FF&E, the building is scheduled for a re-waterproofing and weather sealing project in late 2009.

**Question:** *Does MVCI pay for any of the refurbishment costs?*

**Answer:** Yes. By virtue of MVCI's ownership of the B-Shares associated with the commercial space at Aruba Ocean Club, MVCI bears approximately 12.5% of all common expenses (including refurbishment costs) each year at Aruba Ocean Club. MVCI has paid such expenses to the Association each year since the opening of Aruba Ocean Club and will continue to do so in accordance with the governing documents of Aruba Ocean Club as long as it owns the B-Shares associated with the commercial space. In addition, MVCI is obligated to pay to the Association any special assessment or other expense assessed to Aruba Ocean Club owners with respect to any weeks owned by MVCI (approximately 115 weeks as of the Spring 2009 Annual Meeting).

**Question:** *What is the status of the planned façade maintenance project at the resort?*

**Answer:** MVCI recently funded efforts to develop a project scope, obtain preliminary bids from six contractors, and prepare a presentation of various options for the Board to review and consider. Subsequently, the Board reviewed a list of regular maintenance items as well as a list of additional items which, if completed in the short term, may allow the Association to realize cost savings or other advantages. While the Board completed its review, MVCI continued to work with the most competitive contractors to focus the scope of their work and obtain the most favorable pricing possible based on the Board's direction. The Association has nearly \$600,000 in reserve funding approved for this project. In addition to the façade maintenance, which will be funded by the Association, MVCI will voluntarily make a one-time contribution of approximately \$1M to fund optional façade improvements that were recommended by a certified architect based on the specific impact of the Aruban climate on the building during the last 10 years. These optional works will further enhance the ability of the building to withstand harsh climate conditions.

**Question:** *Does MVCI pay for the space at Aruba Ocean Club used by MVCI for timeshare sales?*

**Answer:** Yes. MVCI's ownership of the commercial space at Aruba Ocean Club, including the space used by MVCI for timeshare sales, is represented by the "B-Shares" held by MVCI. Ownership of these B-Shares obligates MVCI to bear approximately 12.5% of the common expenses each year at Aruba Ocean Club. MVCI has paid such expenses to the Association each year since the opening of Aruba Ocean Club and will continue to do so in accordance with the governing documents of Aruba Ocean Club as long as it owns the B-Shares associated with the commercial space. In addition, MVCI also compensates the Association for space in the Aruba Ocean Club lobby utilized by MVCI as a sales desk.

**Question:** *Prior communications from the Board to Aruba Ocean Club owners have mentioned a possible surplus as a result of some expenses being lower than budgeted for 2009. Can we use these savings to reduce owners' financial obligations today?*

**Answer:** No. As noted in earlier communications to owners from the Board, it is currently anticipated that actual utility and other costs incurred at Aruba Ocean Club could result in lower than budgeted operating costs this year. If this were to occur, the Association could end the year with a budget surplus, which could be applied to next year's operating expenses and consequently reduce annual maintenance fees for next year. Until the end of the current fiscal year, however, the amount of possible savings is only speculative and remains subject to unanticipated costs that could arise throughout the remainder of the current year.

**Question:** *Does Aruba Ocean Club share beach areas, swimming pools and other amenities with Aruba Surf Club?*

**Answer:** In order to enhance the experience for owners and resort guests, Aruba Ocean Club and Aruba Surf Club are both parties to an integration agreement pursuant to which various amenities and facilities are shared between the two resorts and the Aruba Marriott Resort and Stellaris Casino. In addition, each of Aruba Ocean Club and Aruba Surf Club provide certain "back of house" support services to the other, which benefit both properties and eliminate costs that would result if each property stood alone. It is important to note that beaches in Aruba are public, and access cannot be restricted. However, in response to owner and association input regarding use of the pool areas of Aruba Ocean Club and Aruba Surf Club, cross-use of the swimming pools between Aruba Ocean Club and Aruba Surf Club owners has been restricted since early 2008.

**Question:** *I don't understand the voting at the Spring 2009 Annual Meeting. Can you explain how the two Directors were elected?*

**Answer:** At the time of the Annual Meeting there were approximately 24,000 votes per open director position eligible to be cast (for a total of approximately 48,000 total votes since there were two open director positions). Approximately 13,000 total votes were cast in person or by proxy at the Annual Meeting. Just under 7,000 votes were cast by owners other than MVCI prior to the Annual Meeting, and the tally of these votes gave Mr. Frank Knox the lead going into the Annual Meeting. These votes, together with votes cast at the meeting, resulted in Mr. Knox's election. With respect to the second open Board position, Mr. Anthony Lifrieri received a substantial number of votes from owners other than MVCI prior to the Annual Meeting and received the most number of votes from owners other than MVCI at the Annual Meeting. These votes resulted in Mr. Lifrieri's election.

The official results of the election are reflected in the minutes for the Annual Meeting.

**Question:** *Did MVCI have the right to vote at the most recent Annual Meeting? Has it done so previously?*

**Answer:** Yes. In accordance with the Aruba Ocean Club Association Bylaws, MVCI is allocated 1,500 votes per open director position as the owner of the B Shares associated with the commercial spaces at Aruba Ocean Club. In addition, at the time of the Annual Meeting, MVCI was entitled to an additional 230 votes per open director position in respect of Aruba Ocean Club weeks owned by MVCI. At the recent Annual Meeting, MVCI cast its votes in favor of Mr. Frank Knox and Mr. Anthony Lifrieri.

Other examples of MVCI exercising its voting rights at Aruba Ocean Club include the 2003 Annual Meeting. While MVCI has not always exercised its voting rights at Aruba Ocean Club or its other timeshare resorts, it reserves the right to do so in its discretion.

**Question:** *Why was a "parliamentarian" engaged for the most recent Annual Meeting?*

**Answer:** The manner in which Annual Meetings are to be conducted is specified in the governing documents of Aruba Ocean Club as well as Aruba law. The procedures to be followed are necessary in order for the Association to take official action and to conduct its affairs in a fair and orderly manner. In advance of the recent Annual Meeting, the Board received communications from several owners requesting that certain items be placed on the agenda for the Annual Meeting. Given the extent of requests, MVCI recommended to the Board that a professional parliamentarian be engaged at MVCI's cost to ensure that proper governance procedures were followed.

**Question:** *Who chooses the nominees for election to the Board of Directors? Who elects the Directors?*

**Answer:** Pursuant to the governing documents for Aruba Ocean Club, the Aruba Ocean Club board is comprised of 5 directors, 4 of which are classified as "A Member" directors and 1 of which is classified as a "B Member" director. All directors are elected pursuant to a vote of the entire Association membership, however, the nominating process for A Member directors differs from that for B Member directors. A nominating committee representing A Share owners (i.e., the general Aruba Ocean Club membership) nominates candidates for the A Member directors, while MVCI as owner of B Shares associated with the commercial space of Aruba Ocean Club nominates candidates for the B Member director.

**Question:** *Why was an owner's recent request for a Special Meeting of owners denied?*

**Answer:** The process for owners to request a Special Meeting is governed by the governing documents of Aruba Ocean Club and Aruban law. The process requires proper evidence of support for the request by a specific percentage of owners. The Board of Directors received a request for a special meeting in mid-April,

however, the request was deficient in that it was not accompanied by proper evidence of support by the requisite percentage of owners. Accordingly, the Board replied to the request indicating that additional evidence of owners' support for the request was required. Such evidence was not received.