

Marriott Vacation Club International of Aruba Cooperative Association

Q&A attachment to Meeting Minutes of:

The Annual Meeting of Marriott Vacation Club International of Aruba Cooperative Association held on Friday, May 20, 2011, in Amsterdam I and II at the Aruba Marriott Resort & Stellaris Casino, 101 L.G. Smith Boulevard, Palm Beach, Aruba.

- (Q) An Ocean Club Owner thanked the Board members for their continued efforts over the past couple years and then asked why it seems that many Owners go elsewhere on the island for Happy Hours rather than stay on property at Marriott's Bars and Restaurants? The Owner added that he would rather see Owners and others stay here as that would be a 'win-win' for everyone so he would like for Marriott to look closely at the competition to understand their business and see how we can use their best practices here at Ocean Club.
- (A) The Board thanked the Owner and then turned the question over to Marriott as the Food & Beverage (F&B) operations are not part of the Association and are run by Marriott and any revenue or loss is at the risk of Marriott and not the Association. Naturally it behooves all parties if MVCI Owners and guests stay on property rather than to competitors down the beach. Marriott does ensure certain standards are upheld such as 'well liquors' being higher quality premium brands as opposed to brands that other companies may use. Further, recent government liquor and tobacco taxes have increased cost of goods which has led to increased prices so margins are maintained. Nonetheless, the resort management will survey and review primary competitors to determine how to better add to the overall F&B Owner and guest experience at ocean Club.
- (Q) With regards to the new Marriott Vacation Club Destinations™ Program, an Ocean Club Owner requested assurance that Owners do not get pushed back to villas that are considered 'less desirable' due to limited views.
- (A) The Marriott Vacation Club Destinations Program is an option for those people who want to use it; similar to Owners who want to trade their week for Marriott Rewards® points. Presently, a Points Owner can only use Vacation Club Points to reserve at Aruba Ocean Club if an Owner traded his/her Owner week in exchange for Vacation Club Points – this is the same process as Interval International. The Villa assignment procedures however will not be altered in a way which disadvantages Weeks Owners relative to Points Owners or other guests.
- (Q) An Ocean Club Owner commented about his recent experience with Owner Services and the quality of service he received especially as it related primarily to splitting of weeks.
- (A) With the change to the Marriott Vacation Club Destinations Program there has been an increased amount of questions and new procedures that has required additional learnings by the Owner Services team. Training has been provided and every day brings new questions so the process has been slower than expected. We will contact Owner services to ensure they receive this feedback and work to ensure that all Vacation Ownership Advisors are available and well-trained so as to be able to provide the service expected by our Owners.
- (Q) An Ocean Club Owner commented that he does not believe there is enough flexibility in the Marriott Vacation Club Destinations Program and does not fully understand why if an Owner trades their week for Vacation Club Points the point 'value' is less than amount of points you would need to get back into your ownership property. It was the Owner's opinion that this does not seem beneficial to the Ocean Club Owner as the week is devalued.

- (A) Owners who enroll in the new points exchange program have the ability to obtain occupancy at their home resort in accordance with their home resort's reservation procedures, as they always have. These Owners also have the additional option to deposit a week in exchange for Vacation Club Points, and they should only elect to deposit a week in exchange for Vacation Club Points if additional flexibility or usage options are desired for that year. In order to provide members of the exchange program with added flexibility and variety of usage options, such as shorter stays or obtaining occupancy during different seasons or at different resorts, the exchange program must build in a certain amount of occupancy that will not be utilized. As a result, Owners who elect to receive Vacation Club Points will notice a difference between the quantities of Vacation Club Points received in comparison to Vacation Club Points required in order to obtain identical home resort occupancy. Therefore, if identical home resort occupancy is desired in a particular year, the Owner should not make the election to exchange for Vacation Club Points in that year.
- (Q) An Ocean Club Owner asked with the 'spin-off' of MVCI from Marriott International who will pay the franchise fee – MVCI or the Owners and if the Owners then can the Board renegotiate the Ocean Club Management Agreement to reduce management fees? Also, can Owners be assured that the brand standards stay the same? Finally, how do Owners know that no other company can buy into the stock and dissolve MVCI?
- (A) Following the spin-off, MVCI will be an independent publicly-owned company, with its stock listed on a stock exchange and publicly traded. MVCI will pay an annual fee to Marriott International. Additional information regarding the contemplated arrangements between MVCI and Marriott International, including arrangements regarding fees, brand standards and other issues related to the spin-off, can be found in the Form 10 Registration Statement, which was recently filed by Marriott International with the U.S. Securities and Exchange Commission.
- (Q) An Ocean Club Owner stated that the Ocean Club Board held a Board Meeting in New York last December. When was the meeting posted and why was it so important that Owners incurred travel expenses for Board Members to go to New York city for a meeting?
- (A) The Board meeting notice was posted at the resort as per the Bylaws. After careful review by the Board last summer, it was determined that the Association's Investment Policy needed to be updated as the Association earning little to no interest on the certificates of deposit; this was obviously not beneficial to the Owners. It was decided that action needed to be taken to ensure that the Association remain protected but also earn revenue by updating the Investment Policy and allowing for investment in government guaranteed funds. Revision to the policy was adopted by the Board last fall. After that, it was agreed by the Board that a formal Request for Proposal (RFP) should be made to the current investment brokerage company as well as others to ensure that the Association benefitted from the modified policy and increased investment revenue. After analysis of several brokerage houses the Board determined to send identical RFP's to Merrill Lynch, Dana Investments and Morgan Stanley (the Association's current investment company). Once all information was received, a chartered analyst then reviewed the RFP's and portfolios of each company comparing them to the goals of the Association's Investment Policy. As the changing of investment companies is a major decision that affects the Association, it was agreed by the Board that they needed to review this in person with the analyst. Being that one Board Director resides in New York, another nearby in Connecticut, and another who was in business in New York at that time it was agreed that the meeting could be held at that location as it was less expensive than sending the Board Directors to Aruba at a later date considering this needed to be accomplished prior to the end of the fiscal year. Dana Investment Advisors was ultimately selected based on their ability to specialize in custom portfolios as well as past performance with similar associations and cooperatives. Dana was also selected as the company allows the flexibility of the Association to be able to opt out of the contract with only a couple months notice rather than being tied in for a year at a time like others proposed. The meeting minutes and comparisons of companies are all on the Association's website, www.arubaoceanclub.com.

- (Q) An Ocean Club Owner stated that it should not be the Board's responsibility to do this type of work on requesting proposals for investment companies; rather, the Board should hire a company such as PricewaterhouseCoopers to research this and put proposals together.
- (A) The Board stated that it was their decision to use the variety of expertise, including financial and banking, of the Directors and put together the proposals and comparisons rather than using Association funds which could run more than \$10k to hire an outside company.
- (Q) An Ocean Club Owner stated her appreciation of the Board and Marriott's work at the Ocean Club and then asked if it is possible that the Board place an Owners 'chat room' on the Association's website.
- (A) The Board thanked the Owner and stated that this idea was reviewed extensively last year but due to potential legal issues, primarily because this is a website using MVCI's and Marriott's name but without being sanctioned by either company, as well as the concern on who would monitor the 'chat room' and expectation from Owners and others who post that comments and questions that they be answered as well as potential costs involved, it was agreed for the time being not to move forward with the idea.
- (Q) An Ocean Club Owner added that there should be a way around the legal concerns regarding online chat rooms by inserting disclaimers.
- (A) The Board stated that this suggestion would be reviewed again.
- (Q) An Ocean Club Owner questioned why the Board would vote against releasing information regarding the lawsuits brought forth by an Owner against the Association.
- (A) The Board stated that they are not against releasing any factual information regarding the cases and the court verdicts are part of public record in Aruba. The Board however is not in favor of one Owner sending out his/her uncensored comments on the case which he/she initiated against the Association, which may or not be factual. The translated court verdicts can be found on the Association's website: www.arubaoceanclub.com. The Board added that several attempts to settle and amicably resolve the Owner's grievance have been made verbally and in writing and through attorneys to the plaintiff. However, none of the offers were accepted so the Association still had to incur legal costs for court defense.
- (Q) An Ocean Club Owner stated that he and the overwhelming majority of Ocean Club Owners are quite content with the Ocean Club and their vacation experience. He commented to the earlier question regarding the meeting in New York and said that due to the importance of the topic as it affects the entire Association that the overall benefit far outweighs any cost involved and that the Board needs to ensure parameters are in place so that a few owners at the Annual Meeting not be allowed to monopolize the entire time as others too would like to speak.
- (A) The Board acknowledged and thanked the Owner for his comments.
- (Q) An Ocean Club Owner stated that he values his Ocean Club investment. He stated that his concern was that a few Owners perceive an operational methodology where there is abuse of expenses by the Board.
- (A) The Board acknowledged and thanked the Owner for his comments and added that there is an approved Expense Policy and that policy is followed and expenses are audited annually by an independent audit company, presently PricewaterhouseCoopers. During the meeting earlier a Motion was made to ensure that all Board Expenses be followed as per the policy; the motion was approved by unanimous consent. The Board added that they too are all Owners as well and took on these temporary assignments to work on behalf of the Association. The Board agreed as well that the current

Expense Policy will again be reviewed and changes made to ensure continued clarification and transparency.

- (Q) An Ocean Club Owner asked the Board why they would not work with the Owner who has initiated the two prior lawsuits against the Association seeking Owners' personal home and email addresses.
- (A) The Board replied that they are bound to ensure the Association's Articles and Bylaws are followed as written. Surveys from Owners as well as a Special Meeting of the Owners was called to determine if Owners were willing to release their personal contact information – in each case over 85% of those that responded stated they were not willing to release the information. Several attempts have been made that included efforts to negotiate during the first lawsuit, then together in person after last years' Annual Meeting, as well as offers during the second lawsuit directly with the plaintiff as well as through his attorney. All offers of advertising the Owner's personal website in Owner Updates and Newsletters were rejected by the plaintiff. The Board added that unfortunately they now understand the Owner may again be appealing the court's verdict, which will continue to add costs to the Association.
- (Q) Have the number of thefts/room break-ins during the past 12 months increased?
- (A) Ocean Club has always been fortunate to have minimal safety and security related concerns; any reports of 'thefts' or 'items missing' by Owners has definitely declined. In fact, the overall 'Feeling of Safety & Security' rating on Owner surveys has increased from 95.6 through May in 2010 to 97.9 through May 2011.