

October 14, 2016

Dear Marriott Aruba Surf Club Owner:

We find ourselves approaching the close of another year, and the team at Marriott's Aruba Surf Club continues to deliver unforgettable vacation experiences. Our Owners and guests continue to select Aruba Surf Club as their resort destination of choice, leading to a high occupancy. In addition, our Guest Satisfaction Scores continue to rise. We are proud of our consistent focus on service and improving and maintaining the facilities.

Below are highlights of Board of Directors approved energy conservation projects with the main focus on managing the expenses in utilities:

- Installation of smart thermostats in all villas in order to maximize energy conservation.
- Replacement of all lightbulbs with high efficiency LED lights in the guest villas and building corridors.
- Installation of high efficiency heat pump units (air-conditioning units) in all villas of the Lighthouse and Compass buildings.
- Replacement of water efficient toilets in the Compass building during the renovation in 2016, which will be completed November 17, 2016.

With the approval and support of the Board of Directors, the installation of in room smart thermostat was completed in May 2016 and will help manage optimal room temperatures and conditions. With the installation of door sensors and motion sensors, which will support shut down of the air-condition unit in the room, if balcony doors are left open, it is expected to further enhance the property's energy efficiency while ensuring the comfort and experience of our guests.

The LED project, for guest villas and building corridors, will be finished in November 2016 and has an estimated return on investment of two years.

The implemented new air-conditioning units will not only realize a better guest comfort but also be beneficial towards the kilowatt consumption; although this was a replacement project it will have a return on the electricity consumption.

In 2016 electricity rates have remained flat year over year. We have been able to save significant dollars due to Board approved energy conservation projects which helped drive down electricity consumption by over 300,000 kilowatt hours and limit the increase of the electricity expense.

All these initiatives have helped in assuring proper cost controls and this has led to the lowest percentage maintenance fee increase in the last six years.

Other highlights of property enhancements you may have noticed in 2016:

- Renovation of the Lazy river pool and slide pool were all jets, skimmers, tiling and diamond brite have been renewed; also all lights were changed into colored LED lights
- Façade restoration of the Compass building, painting and waterproofing the exterior
- Opening of the satellite towel hut at the Spyglass building
- Resurfacing of all walkways around the pool deck and other guest areas
- Additional BBQ area at the Compass building

In addition to the projects mentioned above, we are excited about property improvements scheduled for 2017. Highlights include:

- Replacement of the four (4) existing Marley cooling towers, which are at the end of their useful life, with three (3) High Efficiency cooling towers. This project is forecasting a six years return on investment and will reduce maintenance and operating cost.
- Replacement of all televisions, which are at the end of their useful life, in the Lighthouse, Compass and Spyglass buildings to 43 inch in the living room and 40 inch in the bedrooms to increase high definition options.

- The existing information technology infrastructure at Lighthouse building is at the end of its useful life and does not allow for any equipment upgrade. The upgrade will include a fiber optic and Cat 6 cable to support increased bandwidth.

Recently, the Board of Directors approved the 2017 Budget. The primary driver of the 2017 Maintenance Fee increase is the Reserve Fee. The 2017 Reserve Fee increase is required to ensure adequate funding for the upcoming 10-year renovation of the Spyglass building in 2018. The Spyglass building had its fifth year soft goods renovation in 2013, including refurbished furniture, new carpeting, paint and new window treatments. The Spyglass building will undergo its 10-year renovation in 2018 and this will include all new appliances and furniture. Additionally, all villas in this building will have refurbished kitchens, window treatments, carpets, lighting and paint, along with the property improvements listed above. These are only a few of the projects that will improve guest experience and maintain our property's premier status.

The Operating Fee increases only by 0.8% which is the lowest in the Surf Club history. This is mainly driven by the energy conservation projects approved by the Board of Directors. This has led to a decrease in utility spending for 2016 and we forecast to expand these savings in 2017. In order to maintain adequate funding for the above and other projects, the Reserve Fee will be \$500 in 2017. This accounts for the majority of the maintenance fee increase and is intended to reduce the possibility of future special assessments.

2017 Maintenance Fees (Operating and Reserve Fees) are as follows: US \$1,803.50 for a two-bedroom unit and US \$2,430.33 for a three-bedroom unit. With an Operating Fee increase of only 0.8% and a Reserve Fee increase of 10% the total maintenance fee increase for 2017 will be 3.1%. This is the lowest increase, \$55 for a 2-bedroom, in the past six years and below the Marriott Vacation Club average, throughout the Caribbean, increase of 5.5%. This is a direct result of the excellent collaboration between the Management Team and Board of Directors with the primary focus on reducing cost and increasing total guest satisfaction. The breakdown of the 2017 Maintenance Fee on your billing statement is as follows:

<u>2017 Maintenance Fee per week</u>	<u>2-Bedroom</u>	<u>3-Bedroom</u>
Operating Fee	1,310.84	1,758.84
Reserve Fee	492.66	671.49
<b>Total</b>	<b>1,803.50</b>	<b>2430.33</b>

The **Operating Fee** are funds required for daily operation of the resort including housekeeping, landscaping, maintenance, activities, payroll and supplies.

The **Reserve Fee** are funds set aside each year in interest bearing accounts to pay for planned replacements of assets including major renovations and equipment. Our Reserve Fee is designed and managed to avoid special assessments.

Your input over this past year has been extremely valuable to the Board of Directors in continuing to set strategies for Marriott's Aruba Surf Club. We will continue to focus on "return on investment" projects which emphasize cost control and energy savings. We welcome your feedback and suggestions as we continue to manage and reduce expenses while ensuring our property remains a premier resort destination. For any questions related to your maintenance fee statement, please contact a Financial Services Representative by phone at 800-443-4391 or via email at [mvc.owner.services@vacationclub.com](mailto:mvc.owner.services@vacationclub.com).

Warm regards,

<i>Linda Forehand</i> President	<i>Robert Bandel</i> Vice President	<i>Kirk Brannock</i> Treasurer	<i>Brian Saggiomo</i> Secretary	<i>Marcus O'Leary</i> Director
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Aruba Surf Club Cooperative Association  
Board of Directors

*Marriott's Aruba Surf Club Management Team*

**ARUBA SURF CLUB COOPERATIVE ASSOCIATION  
2017 ESTIMATED COMMON ASSESSMENT BUDGET  
FOR THE PERIOD JANUARY 1, 2017 THRU DECEMBER 31, 2017**

	2016 BUDGETED EXPENSES	2017 APPROVED BUDGET	2016 Budget vs. 2017 Budget		2017 APPROVED BUDGET TOTAL	2017 TOTAL ANNUAL EXPENSE	2017 APPROVED BUDGET TOTAL	2017 APPROVED BUDGET BY VILLA TYPE	
	23,175 Unit Weeks	23,175 Unit Weeks	INCREASE/(DECREASE)	%	A - MEMBERS	B - MEMBERS	ALL MEMBERS	2 BEDROOM	3 BEDROOM
	(PER UNIT WEEK)	(PER UNIT WEEK)	\$					22,145 Unit Weeks	1,030 Unit Weeks
	(PER UNIT WEEK)	(PER UNIT WEEK)						(PER UNIT WEEK)	(PER UNIT WEEK)
<b>REVENUES</b>									
MAINTENANCE FEES	1,775.35	1,831.37	56.02	3.2%	42,441,862	40,402	42,482,265	1,803.50	2,430.33
LATE FEES	4.35	4.35	0.00	0.0%	100,801		100,801	4.27	6.06
OPERATING INTEREST	11.81	11.81	0.00	0.0%	273,604		273,604	11.59	16.45
RENT INCOME	7.31	7.31	0.00	0.0%	169,507		169,507	7.18	10.20
OTHER INCOME	0.33	0.33	0.00	0.0%	7,550		7,550	0.32	0.45
<b>TOTAL REVENUE</b>	<b>1,799.15</b>	<b>1,855.17</b>	<b>56.02</b>	<b>3.1%</b>	<b>42,993,324</b>	<b>40,402</b>	<b>43,033,727</b>	<b>1,826.86</b>	<b>2,463.49</b>
<b>EXPENSES</b>									
ACCOUNTING	31.84	31.86	0.03	0.1%	738,438	-	738,438	31.28	44.41
ACTIVITIES	63.46	64.57	1.11	1.7%	1,496,472	-	1,496,472.00	63.39	90.00
ADMINISTRATION	56.27	56.96	0.69	1.2%	1,319,888	-	1,319,888.00	55.91	79.38
BAD DEBT EXPENSE	17.44	18.31	0.87	5.0%	424,231	-	424,231	17.97	25.52
BILLING AND COLLECTIONS	10.67	10.75	0.08	0.7%	249,131	-	249,131	10.75	10.75
CABLE TELEVISION	3.73	3.73	0.00	0.0%	86,407	-	86,407	3.66	5.20
COMMON EXPENSE ASSESSMENT	191.25	189.14	(2.11)	(1.1%)	4,383,435	29,122	4,412,557	188.99	192.34
CREDIT CARD FEE	30.48	32.61	2.13	7.0%	755,675	-	755,675	32.01	45.45
ELECTRICITY	249.35	242.04	(7.31)	(2.9%)	5,609,344	-	5,609,344	237.61	337.35
FRONT DESK	110.79	113.57	2.78	2.5%	2,631,974	-	2,631,974	111.49	158.28
HIGH SPEED INTERNET	2.74	2.74	0.00	0.0%	63,505	-	63,505	2.69	3.82
HOUSEKEEPING	198.01	202.38	4.37	2.2%	4,690,069	-	4,690,069	198.67	282.06
HUMAN RESOURCES	10.70	10.70	0.00	0.0%	247,973	-	247,973	10.70	10.70
MAINTENANCE	119.00	119.12	0.12	0.1%	2,760,647	-	2,760,647	116.94	166.03
MANAGEMENT FEE	144.01	149.29	5.28	3.7%	3,459,857	1,025	3,460,882	146.56	208.07
OWNER SERVICES	38.78	41.11	2.33	6.0%	952,724	-	952,724	41.11	41.11
POOL MAINTENANCE	13.94	13.94	0.00	0.0%	322,946	-	322,946	13.68	19.42
POSTAGE AND PRINTING	2.56	2.71	0.15	5.9%	62,789	-	62,789	2.66	3.77
WATER AND SEWER	49.03	49.03	0.00	0.0%	1,136,229	-	1,136,229	48.13	68.34
<b>OPERATING FEE</b>	<b>1,344.05</b>	<b>1,354.56</b>	<b>10.52</b>	<b>0.8%</b>	<b>31,391,734</b>	<b>30,148</b>	<b>31,421,882</b>	<b>1,334.20</b>	<b>1,792.00</b>
RESERVE FEE RESIDENTIAL	395.10	434.01	38.91	9.8%	10,058,135		10,058,135	426.06	604.89
RESERVE FEE COMMON FACILITIES	60.00	66.60	6.60	11.0%	1,543,455	10,255	1,553,710	66.60	66.60
<b>TOTAL RESERVE FEE</b>	<b>455.10</b>	<b>500.61</b>	<b>45.51</b>	<b>10.0%</b>	<b>11,601,590</b>	<b>10,255</b>	<b>11,611,845</b>	<b>492.66</b>	<b>671.49</b>
<b>TOTAL EXPENSES</b>	<b>1,799.15</b>	<b>1,855.17</b>	<b>56.03</b>	<b>3.1%</b>	<b>42,993,324</b>	<b>40,402</b>	<b>43,033,727</b>	<b>1,826.86</b>	<b>2,463.49</b>
<b>INTERNATIONAL OWNERS SURCHARGE</b>	<b>34.50</b>	<b>34.50</b>	<b>0.00</b>	<b>0.0%</b>	<b>-----</b>	<b>-----</b>	<b>34.50</b>	<b>34.50</b>	<b>34.50</b>

Capitalized terms used in these notes have the meanings ascribed to them in the Bylaws of Aruba Surf Club Cooperative Association, as may be amended from time to time.

\*Costa Del Sol Development Company N.V. ("CDS") has been delegated the authority to provide all services incidental to the management of the Condominium, including Owner Services and all property operations. In connection with the performance of those services, all operating expenses will be charged to and paid by the Association to CDS, including some that may be incurred through affiliates of CDS. Certain of the operating expenses charged to and paid by the Association to CDS may reflect economies of scale associated with the number of projects managed by CDS and the affiliated relationship between CDS and the developer and the fact that CDS subcontracts certain services to the operator of the adjacent hotel. The amounts charged for such operating expenses may reflect pricing that is lower than what equivalent services would cost if charged on an independent case-by-case basis.

\*\*A charge will be assessed to Owners residing in countries other than the United States and Canada, and/or Owners who reside in the United States or Canada but who have mailing addresses, telephone numbers or fax numbers outside of the United States or Canada (the "International Owner's Surcharge"), which relates to the added costs for postage, personal delivery, increased frequency of and costs associated with long-distance telephone calls, translation costs, additional costs for facsimile or electronic communications and labor costs for additional, special support staff. The International Owner's Surcharge is thirty four dollars and fifty cents (\$34.50) U.S. but the Board or the Management Company may, from time to time, increase the International Owner's Surcharge to reflect any increase in the cost of providing these services.

\*\*\*Certain operating expenses are presented in the budget net of funds estimated to be reimbursed to the Association in 2017, including but not limited to: (i) funds received from MVC Exchange Company to account for housekeeping expenses necessitated by nightly use of accommodations by Marriott Vacation Club Destinations Exchange Program members, and (ii) fees paid to the Association by transient guests who voluntarily elect to receive a daily room cleaning.

A-Members, per the Association's bylaws, shall be holders of A-Shares with rights to use Units and Common Facilities of the Resort Property under the Timeshare Plan.

B-Members, per the Association's bylaws, shall be holders of B-Shares with right to use the Commercial Space and Common Facilities of the Resort Property not exclusively used by A-Members under the Timeshare Plan or otherwise restricted.

**ARUBA SURF CLUB COOPERATIVE ASSOCIATION**  
**2017 ESTIMATED COMMON FACILITIES BUDGET**  
**FOR THE PERIOD JANUARY 1, 2017 THRU DECEMBER 31, 2017**

	2016 BUDGETED EXPENSES	2017 APPROVED BUDGET	2016 Budget vs. 2017 Budget		2017 APPROVED BUDGET TOTAL	2017 TOTAL ANNUAL EXPENSE	2017 APPROVED BUDGET TOTAL	2017 APPROVED BUDGET BY VILLA TYPE	
	23,175 Unit Weeks	23,175 Unit Weeks	INCREASE/(DECREASE)		(99.34%)	(.66%)	100%	2 BEDROOM	3 BEDROOM
	(PER UNIT WEEK)	(PER UNIT WEEK)	\$	%	A - MEMBERS	B - MEMBERS	ALL MEMBERS	(PER UNIT WEEK)	(PER UNIT WEEK)
LAND LEASE	9.94	9.94	0.00	0.0%	230,360	1,530	231,890	9.94	9.94
GROUND TAX	6.89	6.89	0.00	0.0%	159,676	1,061	160,736	6.89	6.89
ANNUAL AUDIT	3.33	1.73	(1.60)	(48.0%)	40,093	266	40,359	1.73	1.73
BOARD OF DIRECTORS	1.34	1.34	0.00	0.0%	31,055	206	31,261	1.34	1.34
ELECTRICITY	2.88	2.83	(0.05)	(1.7%)	65,585	436	66,021	2.83	2.83
GROUNDS	19.99	19.99	0.00	0.0%	463,268	3,077	466,346	19.99	19.99
HOUSEKEEPING	4.79	4.79	0.00	0.0%	111,008	737	111,746	4.79	4.79
INCOME TAX	7.62	8.14	0.52	6.8%	188,645	1,254	189,898	7.99	11.34
TRANSFER TAX	3.11	2.07	(1.04)	(33.4%)	47,972	319	48,291	2.07	2.07
INSURANCE	24.61	23.09	(1.52)	(6.2%)	535,111	3,555	538,665	23.09	23.09
LOSS PREVENTION	51.96	52.22	0.26	0.5%	1,210,199	8,041	1,218,239	52.22	52.22
MAINTENANCE	11.63	13.15	1.52	13.1%	304,751	2,025	306,776	13.15	13.15
MANAGEMENT FEE	17.39	17.19	(0.20)	(1.1%)	398,494	2,648	401,142	17.19	17.19
PEST CONTROL	2.69	2.69	0.00	0.0%	62,341	414	62,755	2.69	2.69
REFUSE COLLECTION	6.52	6.52	0.00	0.0%	151,101	1,004	152,105	6.52	6.52
SITE ADMINISTRATION	3.06	3.06	0.00	0.0%	70,916	471	71,387	3.06	3.06
SITE ACCOUNTING	1.37	1.37	0.00	0.0%	31,750	211	31,961	1.37	1.37
WATER AND SEWER	12.13	12.13	0.00	0.0%	281,113	1,868	282,980	12.13	12.13
<b>TOTAL OPERATING FEE</b>	<b>191.25</b>	<b>189.14</b>	<b>(2.11)</b>	<b>(1.1%)</b>	<b>4,383,435</b>	<b>29,122</b>	<b>4,412,557</b>	<b>188.99</b>	<b>192.34</b>
<b>RESERVE FEE COMMON FACILITIES</b>	<b>60.00</b>	<b>66.60</b>	<b>6.60</b>	<b>11.0%</b>	<b>1,543,455</b>	<b>10,255</b>	<b>1,553,710</b>	<b>66.60</b>	<b>66.60</b>
<b>OPERATING AND RESERVE FEE</b>	<b>251.25</b>	<b>255.74</b>	<b>4.49</b>	<b>1.8%</b>	<b>5,926,890</b>	<b>39,377</b>	<b>5,966,267</b>	<b>255.59</b>	<b>258.94</b>

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A-Members, per the Association's bylaws, shall be holders of A-Shares with rights to use Units and Common Facilities of the Resort Property under the timeshare Plan.

B-Members, per the Association's bylaws, shall be holders of B-Shares with right to use the Commercial Space and Common Facilities of the Resort Property not exclusively used by A-Members under the Timeshare Plan or otherwise restricted.

The percentages assigned to A-Members and B-Members is assigned based on section 11.1 of the bylaws and is related to square footage appertaining to Common Facilities.

## Frequently Asked Maintenance Fee Questions

**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 refurbishment. Maintenance fees are approved by your Association's Board of Directors and include:

**Operating Fees:** These funds cover the cost of all resort expenses incurred on an annual basis, e.g. electricity, phone, maintenance and housekeeping.

**Reserve Fee:** This is planned funding of capital replacement expenditures for replacement of large items, e.g. refrigerators, roof repairs and villa furnishings.

**Q. When are maintenance fees due?**

A. Please refer to your maintenance fee invoice for your exact due date. Please remember to remit payments on time. Interest and late charges will be assessed on late unpaid balances according to your Association's guidelines.

**Q. What are my maintenance fee payment options?**

**Option 1:** You may pay 24 hours a day, 7 days per week at [www.MarriottVacationClub.com](http://www.MarriottVacationClub.com)

**Option 2:** Mail your check payable to Marriott Resorts Hospitality Corporation (with or without your maintenance fee coupon) to:

Marriott Resorts Hospitality Corporation  
P.O. Box 382056  
Pittsburgh, PA 15250-8056  
(Please include your customer number on your check)

**Option 3:** Contact a Financial Services Representative at 1-800-845-4226 or 1-801-828-1046.

\* Deliveries that require a signature (e.g. certified, registered, or overnight) should be mailed to:

Marriott Resorts Hospitality Corporation  
Attn: 382056  
500 Ross Street 154-0460  
Pittsburgh, PA 15250-8056