

29 October 2019

Dear Marriott's Playa Andaluza Holiday Owner,

**Marriott's Playa Andaluza - Notice of Special General Assembly Meeting**

A Special General Assembly of the Community of Holiday Owners is called to be held without a physical meeting, but with votes to be cast no later than 5:59 a.m., Central European time, on 29 November, 2019, with the following agenda:

- Deliberation and, as the case might be, approval of an increase of the reserve fund contribution (part of the Maintenance Fees) for each of the budget years 2020 to 2024 inclusive, resulting in projected increases in Maintenance Fees for those years in excess of the criteria set out in Article 16.3 of the By-laws of the Community of Holiday Owners.

NOTE: Holiday Owners are reminded that, pursuant to Article 10.1 of the By-Laws, only those Holiday Owners in Good Standing may cast their votes at the General Assembly.

The following materials are enclosed for your review:

- **Proposal** from Management and the Advisory Board relating to this matter
- **Ballot**

You may submit your Ballot electronically through the internet at [proxyvoting.com/MVCI](http://proxyvoting.com/MVCI) by 5:59 a.m., Central European time, on 29 November, 2019. The internet procedures are designed to authenticate your electronic submission by use of a personal control number found on your Ballot. **PLEASE MAKE NOTE OF YOUR CONTROL NUMBER AS THE INFORMATION IS AVAILABLE ONLY THROUGH MORROW SODALI.** Or submit your Ballot by marking, signing, and dating your Ballot and returning it in the prepaid envelope to: Proxy Services Corporation, P.O. Box 9001, Brentwood, New York 11717-9804 by 28 November, 2019. If you submit your Ballot on the internet, please do not also mail your Ballot.

If you have procedural questions regarding submitting your Ballot electronically, please contact Morrow Sodali by email at [mvci.info@morrowsodali.com](mailto:mvci.info@morrowsodali.com).

If you have questions regarding the 2020 Operating Budget, please contact Wiel Gooren by email at [Wilhelmus.Gooren@vacationclub.com](mailto:Wilhelmus.Gooren@vacationclub.com).

I encourage you to submit your Ballot promptly. Your vote and participation are important!

Yours sincerely,

*Kari Jones*

Secretary-Manager to the General Assembly  
Advisory Board of Directors  
Marriott's Playa Andaluza

For further questions regarding the Special General Assembly, please contact Ana Rivas at [Ana.M.Rivas@vacationclub.com](mailto:Ana.M.Rivas@vacationclub.com) or by calling +34 952 88 9230.

**Community of Holiday Owners of Marriott's Playa Andaluza  
2019 General Assembly**

**Proposal**

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**Background**

The Playa Andaluza Annual Operating Budget for the coming year is established according to the Holiday Ownership Purchase Agreement (“HOPA”). The HOPA stipulates that if the budget proposed increases by more than the calculations set forth in section 5.3.3 of the HOPA (the “Threshold”), it shall be submitted for approval by the Community of Holiday Owners.

On 8 October 2019, the Board of the Community of Holiday Owners (the “Board”) agreed with the 2020 Annual Operating Budget and Maintenance Fee proposed by Management. Due to the proposed increase in the Reserve Fund Contribution portion of the agreed Maintenance Fee, Management anticipates that the Threshold will be exceeded for the years 2020 through to 2024. A vote of the Community of Holiday Owners is therefore required to approve the proposed increases in Reserve Fund Contributions for the years 2020 through to 2024, inclusive.

**The Board and Management should be grateful for your support and hope for a positive outcome to the attached Ballot.**

**Proposal**

In order to address a shortfall in the Reserve for Replacement Fund indicated in Table 2 below, Management and the Board have agreed to a five-year plan of increments in the contributions to the Reserve Fund over the period from 2020 to 2024 as shown in the following Table 1:

**Table 1 - Proposed Special Increase in Reserve for Replacement Contribution 2020 to 2024**

<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Increase per Owner week:						
2 – Bedroom apartment	€12.60	€16.65	€21.75	€24.80	€30.28	€4.64
3 – Bedroom apartment	€15.67	€20.65	€26.98	€30.75	€37.56	€5.76
Reserve Fund Annual Contribution €	1,502,105	1,458,358	1,622,528	1,895,282	2,179,574	2,223,166
Reserve Fund Closing Balance €	3,598,553	3,310,534	3,284,131	3,489,475	1,747,593	994,448

Management and the Board proposes a vote of the General Assembly in 2019 to approve the increases in the Reserve Fund Contribution element of the Maintenance Fee in the amounts and for the years set out above (other than 2025 which is included for information only). The proposal is intended to avoid requiring emergency funding by Holiday Owners from time to time to pay for projects which should be funded by the Reserve Fund. This can be achieved by increasing the Reserve Fund Contribution element of the Maintenance Fee over the period shown to ensure that the Reserve Fund is adequate to cover currently scheduled projects. As part of the plan, the Board and Management agreed that €200,000 of surplus Maintenance Fees built up in the accounts from 2019 shall be transferred to the Reserve Fund. This is reflected in the Reserve Fund Contribution shown for 2020. The data shown in the column for 2025 in Tables 1 and 2 are for information only.

**The Reserve Fund**

The Reserve Fund is the source of capital used to renew the furniture, fixtures and equipment of the Resort on a periodic, as-required basis. As an example, the recent apartment renovation was paid directly from the Reserve Fund. Monies set aside in the Reserve Fund cannot be used for daily operating expenses. An adequate Reserve Fund is critical in enabling Management to continue to maintain the Resort to the high standards you expect.

The Reserve Fund cash flow projection is based on a reserve study by a company independent from Management which projects the cost of replacing the Resort’s assets. This study is very detailed, comprehensive and encompasses renovation of all the Resort’s assets and forms the basis of the planned asset replacement schedules throughout the entire life of the Resort to 2052. The study is a living document and is subject to regular reviews with the latest review due in November of this year.

As has been highlighted previously and as our Auditors, Deloitte, have reported “if the current level of contribution to the Reserve for Replacement Fund in the Maintenance Fee were to grow by inflation only there would be insufficient funds available to cover future expenses”. This is related to annual increases in the Maintenance Fee allowed by the HOPA. The independent reserve study has highlighted that the HOPA restriction on the increase to the contribution to the Reserve Fund will lead to shortfalls, i.e. insufficient funds in the Fund as shown in the Fund Closing Balances from 2024 onwards in Table 2:

**Table 2– Cash Flow No Special Increase in Reserve for Replacement Contribution 2020 to 2024**

Year	2020	2021	2022	2023	2024	2025
Reserve Fund Contribution % Inc (Forecast)	2.50%	2.25%	2.00%	2.00%	2.00%	2.00%
Annual Reserve Fund Contribution €	1,213,325	1,240,625	1,265,438	1,290,746	1,316,561	1,314,893
Reserve for Replacement Expenses €	-711,906	-1,749,756	-1,692,167	-1,693,261	-3,923,988	-2,946,977
Reserve Fund Closing Balance €	3,309,702	2,803,751	2,379,906	1,980,110	- 625,753	-2,259,837

The decision by the Board and Management to go to the General Assembly with this proposal was not taken lightly and we sincerely believe it is in the best interests of the Resort and Holiday Owners to ensure that your holiday and site experience are maintained at the highest level.

To be adopted, this proposal must be approved by a simple majority of Playa Andaluza Holiday Owners who exercise their right to vote in accordance with the HOPA.

Failure to obtain the proposed increase in Reserve Fund Contribution will result in a Reserve Fund shortfall as shown in Table 2 and extraordinary contributions may be required in order to fund renovation and replacement costs, especially related to apartment renovations scheduled for 2023 and 2024.

Pursuant to the HOPA, the Annual Operating Budget Threshold is calculated based on the aggregate sum of two inflationary elements and unforeseen or non-manageable costs, to the extent they arise, are then added. For 2020 the Threshold, taking into account the inflationary elements, is 2.50%. However, in 2019 costs equivalent to 1.99% of the 2019 budget, which were intended for anticipated non-manageable costs and were therefore included in the Maintenance Fee, did not subsequently arise (the “2019 Costs”). As a result, and in the interests of fairness and transparency, Management and the Board have agreed that the actual 2019 Maintenance Fees charged (which included the 2019 Costs) should not be used as the starting point for the 2020 Threshold calculation and the 2019 budget has been rebased to remove the 2019 Costs leaving the starting point based on actual costs incurred. Applying the 2020 inflationary element of 2.50% to the rebased 2019 budget results in a rebased Threshold for 2020 of 0.51% over the 2019 Maintenance Fees. The proposed increase in the contribution to the Reserve Fund for 2020 as the first year of the 5-year plan adds 1.45% to the 2020 Annual Operating Budget to give a total proposed increase from 2019 of 1.96% (which is in excess of the rebased 0.51% Threshold) due solely to the proposed increase in the Reserve Fund Contribution.

With a 1.96% increase, the Maintenance Fees proposed for 2020 are €1,157.84 for 2-bedroom and €1,302.66 for 3-bedroom apartments respectively inclusive of VAT – an increase of €22.24 for 2-bedroom and €25.03 for 3-bedroom apartments respectively over 2019.

If the Reserve Fund Contribution for 2020 was not increased as per the proposal, the total Maintenance Fee for 2020 would be €1,141.40 for 2-bedroom and €1,284.17 for 3-bedroom apartments respectively inclusive of VAT. Also, at a Threshold increase of 0.51%, no annual increase in the contribution to the Reserve Fund could be made.

Management's expectation is that the increase in Reserve Fund Contribution for the years 2021 through 2024 will also result in the Threshold being exceeded for some or all of those years.

**A vote for the proposal approves increases in the Maintenance Fees for the years 2020 to 2024 (inclusive) each of which may be over the Threshold only due to an increase in the Reserve Fund Contribution.**

If any of the relevant years' Annual Operating Budgets exceed the Threshold for any reason other than the increase in Reserve Fund Contribution in accordance with this proposal, a vote of the General Assembly will be held in accordance with the HOPA.

We should be grateful for your support and hope for a positive outcome to the Ballot.

## **Ballot Submission Methods**

The accompanying Notice of Special General Assembly describes an important issue affecting the Community of Holiday Owners. To submit your Ballot:

### 1. By Internet

- a. Log onto [proxyvoting.com/MVCI](https://proxyvoting.com/MVCI), 24 hours a day, seven days a week by the deadline of 5:59 a.m., Central European time, on 29 November 2019.
- b. Enter the control number that appears on your Ballot.
- c. Follow the simple instructions.

### 2. By Mail

- a. Mark your selections on the enclosed Ballot.
- b. Date and sign your name exactly as it appears on your Ballot.
- c. Mail the Ballot in the enclosed postage-paid envelope.

# BALLOT

**Community of Holiday Owners of  
Marriott's Playa Andaluza  
2019 Special General Assembly**

Date: \_\_\_\_\_

Holiday Owner Signature:

(X): \_\_\_\_\_

Holiday Owner Signature:

(X): \_\_\_\_\_

**Legal Name:**

**Note: All parties listed on this Ballot must sign  
and date the Ballot for the vote(s) to be counted.**

**Approval of increases in the Maintenance Fees for the years 2020 to 2024 (inclusive) each of which may  
be over the amounts stipulated by section 5.3.3 of the Holiday Ownership Purchase Agreement only due  
to an increase in the Reserve Fund Contribution.**

- For
- Against
- Abstention

**Please sign and return your Ballot on or before 05:59 a.m., Central European time, on 29 November, 2019.  
No votes may be cast at the meeting on 04 December, 2019.**