



October 15, 2025

Dear Arroyo Roble Owners,

We would like to extend our sincere appreciation to all Owners who attended the Board of Directors Meeting held on October 1, 2025. Your participation and feedback during the owner comment period is greatly appreciated. We would also like to take this opportunity to address questions raised by some of our Owners, as we believe it is important to share the information with all our Owners.

Governance & Administration

Board Meetings & Communication

- **Can the missing Annual, Board, and Executive Session minutes be posted to the owner portal (Clubhouse)?**

The 2024 Annual Meeting minutes will be formally approved at the 2025 Annual Meeting; however, a draft will be posted in the interim. With Vacatia's assistance, an audit of all meeting minutes is being conducted to ensure they are available via Clubhouse. Please note that Executive Session minutes will not be posted, as they are confidential. All available minutes will be posted prior to the Annual Meeting.

- **Will the Board provide greater transparency and offer virtual access to meetings?**

The Board has agreed to make the Annual Meeting accessible via Zoom. Future Board meetings will be evaluated for virtual access once new Board members are seated.

- **Can future meetings avoid conflicts with major religious holidays, such as Yom Kippur?**

While meeting dates are typically set well in advance, the Board will be mindful of major holidays when establishing future schedules.

Board Governance

- **How many Board seats are open in the upcoming election?**

Two (2) Board seats will be open. Complete election details have been provided in the Annual Meeting Notice Election Packet mailed to all Owners of record on October 6, 2025. Candidate information and the Annual Meeting Agenda have also been emailed to Owners' email address on file with the Association, and posted on Clubhouse. This communication was also posted on the resort website in the Owner Info section.

- **Please expand on the legal counsel engaged by the Board and related costs.**

Following the August 18, 2025 Special Board meeting, the Board sought legal guidance on how to best serve the Association and Owners. The Board is trying to diligently manage legal expenses, however, several inquiries from owners have required legal counsel involvement in order to properly address.

- **Why was security present at the Board meeting, and what was the cost?**

Following the Special Board Meeting, Owners onsite were observed banging on office doors, causing members of the Board and onsite staff to feel unsafe. Due to these prior disruptions and on the advice of counsel, security was

engaged for the Board of Directors Meeting held on October 1, 2025, to ensure a safe and constructive environment. The cost of the security service was \$576.

Financial Management

Financial Health & Planning

- **Owners expressed concern about financial communication and the 2025 Special Assessment. How will the Board ensure better management going forward? What can Owners expect for 2026 maintenance fees and the long-term financial plan?**

The Special Assessment was issued prior to Vacatia's engagement as our management partner. Since their onboarding just over six weeks ago, communication and financial review processes have already improved.

While the Association's financial position is not unique within the timeshare industry, Vacatia provides additional expertise and resources to strengthen long-term financial strategy and stability. This includes developing a five-year plan to address operational and reserve funding needs, ensuring sustainable cash flow.

Vacatia is currently preparing the 2026 budget. While specifics regarding maintenance fees are not yet finalized, the goal remains to support the Association's financial health while identifying operational efficiencies.

- **Are Owners required to enroll in automatic payment plans?**

No. Automatic payments are optional, but implemented for convenience. We will continue to offer payment plan for additional owners as requested as well as accept manual payments for those not enrolled in automatic payment.

- **What is the plan to increase resort revenue and better promote Arroyo Roble?**

As many Owners have noted, and we agree, Arroyo Roble is the best-kept secret in Sedona! Vacatia is leveraging its expertise to drive operational efficiencies and increase revenue through rentals and resales. Association owned and delinquent weeks are now being monetized, with expanded initiatives planned for the coming year.

Funding & Cost Allocation

- **Does Best Western contribute its share toward renovations and operating costs?**

Yes. Pursuant to Article VI, Section 8(a) of the Association's Declaration, the Best Western Intervals neither receive nor contribute to the costs associated with certain interval-related services, including housekeeping and linen changes, the maintenance and replacement of furniture, appliances, linens, and kitchenware, as well as interior decor.

Best Western pays 49% of an interval's annual maintenance fee and is solely responsible for the upkeep, housekeeping, maintenance, and renovation of its units.

- **What is the funding source for the pool resurfacing project, and can it be delayed to redirect funds toward renovations?**

The pool resurfacing project was brought to the Board's attention following several guest complaints about the deteriorating pool surface, which had begun causing cuts on guests' feet. To minimize disruption to guests, major maintenance projects, such as resurfacing, are typically scheduled during the winter season. As the resort approaches the end of the fall season, management wanted to bring this project to the Board's attention to address potential safety concerns and reduce the risk of liability.

Establishing a reserve schedule and funding plan is critical to maintaining the Association's long-term financial health and commitment to property upkeep. During the budget planning process, the Board will review the timing and funding of all proposed reserve projects with Vacatia, including the pool resurfacing, to ensure the most financially responsible approach.

Management Agreement

- **Why was the decision to hire Vacatia not put to an Owner vote, and what is the cost?**

Per the governing documents, the Board is authorized to engage management services without an Owner vote. Vacatia's fee for management services is approximately \$90,000 annually, which is less than one-third of standard industry rates (10–15% of resort operating expenses).

Resort Operations & Projects

Renovations

- **Does Big Kahuna hold the appropriate commercial construction license?**

Yes, Big Kahuna does maintain the appropriate commercial contractor's license. A group of Owners previously challenged Big Kahuna's ability to enter into contracts greater than \$2,000,000 in actual construction costs. The Resort renovations are being performed in three (3) distinct phases, each of which is for less than \$2,000,000. Furthermore, the costs for furniture and decorative items is not part of the actual construction costs. The State of Arizona subsequently inspected the work and agreements, and confirmed no violation existed.

Renovation Quality & Process

- **Owners expressed concerns about workmanship and the walk-through process.**

Vacatia and Big Kahuna will conduct an additional walk-through prior to the Annual Meeting, and the results will be shared with Owners.

- **Can Owners be more involved in renovation decisions?**

The Board is exploring the formation of an Owner Committee to help provide input and feedback on future renovation projects. This initiative will be revisited once the newly elected Board members are in place.

Renovation Contract Flexibility

- **Can the Big Kahuna contract be renegotiated to complete fewer units initially?**

The Board has authorized Vacatia to work with Big Kahuna on phased completion and incremental payments to align progress with available funding. In addition, Vacatia is recommending additional oversight of all future work being completed by Big Kahuna in an effort to stay aligned on costs and performance.

Resort Operations & Programs

- **Will the Board assist Owners in renting their weeks?**

Yes. An Owner Rental Program is included in the existing rental framework with Vacatia and will be discussed further at the upcoming Annual Meeting.

- **Can the Board clarify the current reservation system and process?**

Currently, online reservations are available only for rental bookings. Online Owner reservations are being incorporated through an engineering rebuild that is currently in progress. This rebuild will also allow Owners to

split their weeks into shorter stays. We understand the value of online convenience and have made completing this rebuild a top priority. In the meantime, Owner reservations may continue to be made, as before, via email or by contacting the resort directly by phone.

- **Dogs are not permitted at the resort. Will this be enforced for all guests and owners?**

The Board will coordinate with Best Western to ensure full compliance with the resort's No Pet Policy. In accordance with Americans with Disabilities Act, service animals are permitted.

With the upcoming Annual Meeting and election of directors scheduled to take place next month, we would also like to share additional information regarding the election process to help ensure a transparent and well-understood process:

- In accordance with Arizona Revised Statutes §33-2208(B), which requires that notice of a regular meeting of the Owners be sent at least thirty (30) days in advance, the Annual Meeting notice was mailed to all Owners of record on October 6, 2025.
- As stated in the notice, there are two (2) open positions on the Board of Directors. The names of the twelve (12) candidates who have submitted themselves for consideration, along with how to access their candidate summaries, are included in the mailing.
- The electronic and mail in portion of the voting process is being managed by Nordis Technologies, an independent third-party election administrator. Nordis specializes in election certification and employs a secure process to authenticate each Owner, validate the vote, ensure vote confidentiality, and apply the Association's specific vote-weighting requirements. Each Owner is assigned a unique identification number to verify ownership and track voting accuracy.
- Once online and mail voting concludes at 5:00 p.m. on November 4, 2025, Nordis will generate a comprehensive report of all submitted votes. This report will then be provided confidentially to Vacatia to serve as the baseline for the final election tally administered during the Annual Meeting.
- The Annual Meeting Notice includes a Proxy/Ballot, which allows each Owner to choose from the following options:
 - **Cast a vote as indicated below** – Select this option if you, as the Owner, wish to vote the proxy/ballot on your own behalf.
 - **Appoint the Secretary of Arroyo Roble Resort Council of Co-Owners, Inc. as your proxy** – Select this option if you would like the Association's Secretary to vote on your behalf.
 - **Submit proxy for quorum purposes only** – Select this option if you do not wish to vote in the election but would like your proxy counted toward the quorum, allowing Association business to be conducted at the Annual Meeting.
 - **Conflict procedures are in place in the event of a discrepancy on the Proxy/Ballot. If an Owner indicates that they wish to appoint the Association Secretary as their proxy but also marks their vote for the election of directors, the Owner's vote will take precedence and will be counted accordingly.**
- Please note, we have been made aware that the return envelope enclosed with the Annual Meeting notice states "Proxies Only". The Proxy/Ballot that is included with the Annual Meeting Notice is a form that can be used either as a proxy or as a ballot, depending on the Owners desired selection of the options noted above. Although the terms are not meant to be used interchangeably, the "Proxies Only" includes the Proxy/Ballot in its entirety and we can ensure that all ballots submitted using the return envelope will be counted accordingly. The label was

intended simply to discourage the inclusion of unrelated items, such as checks, reservation requests, or other correspondence, in the return envelope.

- In accordance with the Association's governing documents, nominations from the floor will be permitted during the meeting. Should a floor nomination occur, Owners present in person will have the opportunity to revise their votes, if desired. Once the floor is closed to nominations, all proxies and ballots will be collected.
- A Vacatia representative will collect all proxies and ballots from attending Owners and will request two (2) Owner volunteers to serve as Inspectors of Election. These volunteers must not be current directors, candidates, or related to any candidate. The Inspectors of Election will certify all in-person votes received, which will then be combined with the Nordis voting data to complete the final election tally.
- To make efficient use of meeting time, it is customary for the meeting to continue while in-person votes are being verified and counted, thus the Inspectors of Election will be absent during the counting and verification of in-person votes.
- The final election results will be announced once all votes have been certified and counted. As a reminder, the candidate receiving the highest number of votes will serve a three (3) year term, and the candidate receiving the next highest number of votes will serve a two (2) year term on the Board of Directors.
- **We have also been informed that two (2) candidates listed on the Proxy/Ballot, Terry Lee and Howard Slayen, have withdrawn their names from consideration. If you previously voted for either of these candidates, you may update your vote electronically or in person at the Annual Meeting. Please note that we are unable to reissue paper Proxy/Ballots. In the event either of these candidates receives enough votes to be elected to the Board of Directors, their nomination will be revoked, and the seat will be awarded to the candidate with the next highest number of votes.**

Once again, we thank all Owners for your continued support and understanding. With the additional guidance and expertise provided by Vacatia, we are confident that Arroyo Roble is moving in a positive direction. We look forward to seeing you at the Annual Meeting on November 5, 2025.

Sincerely,
Board of Directors
Arroyo Roble Resort Council of Co-Owners, Inc and Vacatia