



December 2008

Dear Aruba Ocean Club Owners,

Greetings from Marriott's Aruba Ocean Club! We've had an exciting year here at your home away from home, and I would like to brief you on the latest news and significant changes that have occurred since your last operations update:

Management and Staffing Updates

At the January 2008 Board Meeting, we asked Marriott to provide a new General Manager whose sole responsibility would be to oversee the operations of Marriott's Aruba Ocean Club, since managing both Aruba Ocean Club and Aruba Surf Club is too large a task for one person to handle effectively. In response to our request, we are delighted to welcome Corey Guest as General Manager of Marriott's Aruba Ocean Club. Since his arrival, Corey's foremost concern has been to ensure that our Owners have a worry-free, relaxing and enjoyable vacation. He is accessible to the Owners and has been extremely responsive to the Board. Most importantly, Corey recognizes what needs to be improved and takes the initiative to correct problems. Whether Corey receives input from the Board or from the Owners, he responds with a can-do attitude. We are also pleased to welcome Ricardo Vrolijk as your property's new dedicated Director of Finance. Both individuals come with more than 26 years of experience within the hospitality industry and will provide the attention to detail needed. These two individuals and the property's Director of Rooms Operations, Lillian Britten, comprise a team that can quickly respond to the requests and concerns of our Marriott's Aruba Ocean Club Owners.

The Board is now asking that all Owner communications be directed to our General Manager Corey Guest rather than to the Board. Corey walks the property several times a day and receives Owner feedback. In addition, a weekly Owners Reception provides a relaxing setting for Owners to interact with the management staff. Having all Owner feedback channeled through Corey will allow him to better manage the various Owner concerns and be more responsive to both the Owners and the Board. Corey already shares all Owner communication with the Board and provides us a monthly summary of feedback he receives from Owners at the resort. As always, we are immediately available to work with Corey to resolve issues that involve policy or an unbudgeted expenditure. **To contact Corey and the Board, please send your e-mail to aocbod@vacationclub.com.**

This e-mail address also will be posted on our resort page at My-VacationClub.com.

The Board will continue to communicate directly with Owners through periodic postings on the Web site, summaries of recent Board meetings and other updates as necessary. We will continue to share relevant information regarding the underlying reasons for decisions as well as our candid assessments of future challenges and opportunities. Please recognize that any decisions made by the Board affect each of us as Owners the same way it affects you.

During the recent Annual Owner's Meeting, the Board of Directors recognized two outstanding staff members for their exemplary service during 2007 who won the Marriott Resort Complex Associate of the Year and Supervisor of the Year awards. Both winners were selected out of a pool of more than 1,100 Marriott associates:

Betty Maduro – Housekeeper, Marriott's Aruba Ocean Club
Nestor Ricaurte – Engineering Supervisor, Marriott's Aruba Ocean Club

Several other Marriott's Aruba Ocean Club and shared-resource associates were also recognized for their outstanding service in their respective departments during the past 12 months:

Christina Alvarez-Jiao – At Your Service Agent
Sharina Farrell – Server, Champions Restaurant
Joseph Goldbourne – Bellman
Rodney Gomez – Recreation Supervisor
Josette Martina – Activities Attendant
Diego Noguera – Engineer
Margaret Thomas – Vacation Planner
Silveria Ventura – Housekeeper
Natasha Wever – Loss Prevention Officer

New Services

Shuttle Service – Earlier this year the Aruba Marriott® Resort & Stellaris® Casino purchased shuttles to transport Owners and guests around the resort complex. The shuttle service runs continually from 2 p.m. to 2 a.m. daily and makes stops between the Marriott's Aruba Surf Club Main Lobby and Building C & D Lobby, the Marriott's Aruba Ocean Club Lobby, the Casino exterior entrance and the Resort Lobby entrance.

Laundry Service – Based on feedback received from our Owner community, Marriott's Aruba Ocean Club instituted a laundry service in addition to the dry cleaning service already offered. The Front Desk will explain the service upon check-in. All you need to do is leave your laundry in the basket; your Room Attendant will have it laundered, folded and delivered the same day.

Owner Receptions – Many Owners have commented that they come to Aruba to be outside and enjoy the sunsets. Owners are encouraged to attend an Owners Meeting, held every Tuesday at 5 p.m. outside on the Pavilion Terrace. This meeting is exclusive to Marriott's Aruba Ocean Club Owners and gives them the opportunity to meet with the management staff 1-on-1 and provide valuable feedback and suggestions.

Vacation Experience – Our prearrival Vacation Experience Team has worked hard to improve their services. Owners should now receive an e-mail 3 to 4 weeks prior to arrival confirming reservation dates and villa type as well as offering prearrival services such as groceries, reservations, villa needs and more. As we proceed, the program will be continually improved; please provide us with any feedback or suggestions you may have.

Matey's Hall Kids Club and The Den – Recently the Matey's Hall Kids Club was relocated to a new-and-improved stand-alone building with a playground. Part of the space where the former Kids Club was located has been renovated into an area designed for teens called The Den. This room features LCD televisions, music, video games and activities for children ages 12 to 18. All Marriott's Aruba Ocean

Club Owners have access to these activity rooms located at Marriott's Aruba Surf Club. All activities offered to our Owners can be found in the in-villa *Navigator* magazine.

New Automated Owner Services Phone System – Owner Services is pleased to announce exciting and hassle-free options to make your maintenance fee payments and trade for Marriott Rewards® points via our easy-to-use automated phone system. The new system allows you to review and pay your maintenance fees, request a copy of your bill, and receive information on your latest payment or where to mail your payment. If you are eligible to trade your week(s) for Marriott Rewards points, you can also use the automated system to easily manage this transaction. Both of these systems are available by calling 800-845-4226 and following the phone prompts. For your convenience, you can also visit My-VacationClub.com to make your maintenance fee payment, trade your week(s) for points, and much more. Either way, we hope you enjoy these services! *Hint: Avoid possible wait times on the phone by using My-VacationClub.com for these services, especially during the busiest season, January – March.*

Resort Facility Enhancements

Pool and Rock Resurfacing – In September, the entire pool and surrounding rockscape was renovated and resurfaced while the landscaping around the pool deck was enhanced as well. I hope you enjoy our efforts to create the perfect tropical setting for your vacation!

Related to the pool is the interim suspension of the integration agreement that the Board and Management agreed to in the fall of 2007. The resort management opted to continue the suspension while Marriott's Aruba Surf Club expands their pool deck area; this expansion should be complete by late December. Upon completion of the pool deck expansion the Board of Directors and Management will reevaluate the policies regarding the sharing of pool facilities.

Safety and Security – We have placed additional measures to improve safety around the property through further integration with both Marriott's Aruba Surf Club and the Marriott resort to ensure standardization and superior communication. We have had digital safes installed in all the villas to replace the old key-lock versions. Stairwell exit doors and safety bars have also all been replaced with newer versions. Additionally, we have reopened the Marriott's Aruba Ocean Club Loss Prevention (Security) Office to provide increased surveillance as well as address after-hours door and safe concerns. Lastly, within the next several weeks, we will be installing key-card readers in all of the elevator cabs that guests will use to access villa floors.

Roof Replacement – We are in the final weeks of our complete roof restoration. Due to the harsh weather conditions in Aruba, our roof was nearing the point where it needed replacement. Please let me assure you that the roof was not defective as some prior correspondences have suggested. This project, which is being funded by both Marriott Vacation Club® and the Association, should be completed by mid-December. During the fall 2007 Board Meetings, we worked with Marriott Vacation Club to ensure that the costs of the project for their B shares of the building would be paid for, as well as any costs for the time the roof was in place prior to Marriott's Aruba Ocean Club opening. This amounted to Marriott Vacation Club covering about 43% of the expense.

Heat-Wheel and Corridor Air Conditioning – Unfortunately many of the islands in the Caribbean do not have the resources required for energy conservation projects. Properties on the island must continue to source new ideas and initiatives to “go green” and reduce costs as much as possible. The cost of electric utilities has increased dramatically—more than 45% in just the past year alone. We are almost finished with a project that will help conserve energy and save the resort money. Cold air from the villas, exiting the building via air vents, will be recirculated to help with cooling the hallways. This is one of several projects we have planned that should provide considerable savings on electricity.

Windows – The rubber around some of the hallway windows and the caulking around façade windows has aged due to the excessive heat, wind and salt air present. Rather than repairing them and incurring the costs, we quickly contacted manufacturers and were successful in getting them to replace and recaulk the windows before any warranties expired.

Villa Air Conditioners – More than 150 villas are receiving new energy-efficient air conditioners to replace older ones. We began this project in early September, and it will take approximately 4 months to complete.

Future Enhancements

Renovation – The Board of Directors, along with the Marriott Vacation Club Management Team, recently concluded a year of planning and budgeting focused on the final scope of renovation. The project—which is due to take place in 2009 from July to December—will create a completely new look for the lobby, corridors and villas. This will include new furniture (sofas, chairs, armoires, flat-screen televisions, etc.); kitchen cabinets and appliances (refrigerator, stove, dishwasher, etc.); carpeting in the villas and hallways; bathrooms with new showers, vanities and granite tops; and much more.

We do not expect that Owners who wish to visit next summer will have any difficulty in making reservations. Inconveniences should be minimal as the renovation will only occur in certain closed-off sections/floors of the resort. Marriott Vacation Club has committed in excess of \$2 million in financial support over the next two years, which effectively reduces total 2009 and 2010 maintenance fees by approximately \$180 per week. I am confident all our Owners will be simply amazed at the new Marriott's Aruba Ocean Club

Electronic Mailings – Marriott Vacation Club is finalizing the software to enable us to safely and securely e-mail all future notifications to Owners who have an e-mail address on record. We anticipate that this enhancement will save more than \$20,000 per year in Association mailing costs. If you have not done so already, please add or update your e-mail address at My-VacationClub.com. After logging in, select “Manage My Account” and then “Account Profile” before entering in your information. You may also contact Owner Services at 800-845-4226 with your updated information.

Check-in/Check-out Day Expansion – Presently, Owners check in and out on Fridays, Saturdays and Sundays. Based on feedback regarding limited flight availability and the cost of flying during weekends, we are in the process of amending our documents to all for an additional day or two to check-in and checkout so Owners have more flexibility when planning their vacation. This will also assist our Front Desk and Housekeeping in spreading our labor costs through the week and reducing the amount of weekend part-timers and overtime. As most Owners have already booked their vacation for 2009, the effect of this change will not be evident until your 2010 trip is arranged. More information and options will be available from your Marriott Vacation Planner.

Financial Overview

The 2007 audit of our financial statements is complete and copies of the full audit report are available. If you wish to view a copy, please go to the Ocean Club page on My-VacationClub.com or you can contact the resort Executive Administrative Assistant Gail Sahit, gail.mahabeer@marriotthotels.com, and she will forward one to you. As always, we received a clean report letter from the auditors, which is the highest level of assurance they offer.

Financially, this year has been a challenge. While we plan and manage the finances as prudently as possible, unexpected increases and disasters cause unexpected expenses. Keeping costs in line with budget while still maintaining the integrity and the vacation experience of the Marriott Vacation Club Owners has become a major concern of the Board during the past few months due to the spike in the price of oil and the effect this has on many facets of our business. According to the Centrale Bank van Aruba (www.cbaruba.org/cba/readBlob.do?id=1222), “In July 2008, the consumer price index increased by 10.2% compared to the corresponding month in 2007.” This is significantly higher than the U.S. and has a far-reaching impact in all facets of our business. Since that time, inflation on the island has fluctuated but still remains generally between 9 and 10%.

Energy costs in Aruba have increased by more than 43%; this has been primarily attributed to the cost of oil. And although the price of oil has gone down in recent months, the effect has not really been felt yet in Aruba. Unlike in the U.S. and many other countries, the utility companies in Aruba are government regulated so there is not a tremendous incentive for a reduction of the cost of these utilities to be passed down to consumers. Although we anticipate utility costs to decline somewhat should oil not spike again, we have had to ensure that we do not run into any deficit next year, unlike this year where our expenses are 56% over budget for electricity and 43% over in water. We are continuing to seek opportunities to reduce consumption and “go green”; many of these efforts are working as we are showing more than 5% per year declines in electricity consumption.

More than 75% of budget overruns this year have been directly related to expenses not regulated by management, which include inflation, water and electric costs, and fees for credit card usage by Owners.

Labor cost for all departments has increased due to the unbudgeted 3.1% increase in the minimum wage that the Aruban government unexpectedly enacted in July 2008. This, combined with the current shortage of labor on the island (housekeeping, houseman, telephone operators and security), has created a vacuum-type effect on the labor market. It is widely expected that many of the recently proposed labor laws will be enacted by the local government this time next year, which may again result in further labor-related increases.

Repairs and Renovation

In October, the island was hit with tropical storm effects from Hurricane Omar, which formed just north of Aruba. After more than 24 hours of driving wind and rain and rising sea levels, the island was left with severe beach erosion and flooding. Although our property fared better than some, we still experienced damage. Initial communications estimated the damage was much greater than what we actually incurred. I have received e-mails from Owners asking why Marriott’s Aruba Ocean Club sustained more damage than the neighboring properties. It is a fact that our resort sustained more damage than the Marriott hotel, which just completed a \$50 million renovation that included complete waterproofing and painting of their building. Our property also sustained more damage than Marriott’s Aruba Surf Club, which is a much newer structure than Marriott’s Aruba Ocean Club.

Simply put, Marriott’s Aruba Ocean Club is due for its 10-year renovation. This includes waterproofing the building, replacing the roof, repainting and a complete refurbishment of the Lobby and villas. This is not any different from the Marriott hotel’s 2-year renovation or any other resort property that runs annually at more than 95% occupancy in a subtropical, salt-air climate. The damage sustained by the storm did not meet our insurance deductible; therefore the costs of repairs were absorbed in operating fees.

2009 Maintenance Fees

During the October 2008 Annual Board Meeting, in addition to reviewing our current-year finances, the Board approved the 2009 Maintenance Fees. Although the percentage increase is higher than in prior years, the vast majority of the expense is directly related to nonregulated costs. This budget was discussed thoroughly with management to ensure that we minimize the increase of those expenses within our control.

An overall increase in the operating fee alone (average combined 1- and 2-bedroom villas) can be broken down as follows:

- Almost 70% of the operating fee increase is attributed to nonregulated expenses. The majority of these expenses are related to government-regulated electric and water costs, diesel fuel, as well as higher user participation for credit card service.
- The remainder of the operating increase comes directly from regulated (controllable) expenses. These relate specifically to operations funding necessary to staff and maintain the new pool, wage increases to keep us competitive with the market, housekeeping expenses (primarily driven by laundry), outside contractor costs and the impact of inflation.

The Board-approved operating fee per villa type for 2009 is \$876.09 for a 1-bedroom villa and \$1,174.92 for a 2-bedroom villa. A one-time only Deficit Recovery for the 2008 utility and storm cost overruns will be included with your maintenance fee bill; this Board approved amount is \$71.02 for a 1-bedroom villa and \$101.96 for a 2-bedroom villa.

Our commitment to remain one of the best Marriott Vacation Club resorts requires long-range planning by management and the Board. The planning for the renovation as well as reserve forecasting for years into the future were discussed extensively during our latest meeting. The Board and the management team explored a number of alternative funding options to properly increase reserves to pay for the renovation and avoid incurring future assessments. The reserve portion of your annual maintenance bill for 2009 will amount to \$309.93 for a 1-bedroom villa and \$420.72 for a 2-bedroom villa.

In regard to the 2009 and 2010 assessments for the renovation that has been communicated to Owners during the past 2 years, we were able to keep the amounts within the ranges that were quoted. In order to limit the financial impact to our Owners but still complete the refurbishment by winter of 2009, we have divided the special assessments into two payments. In April of 2009, the first of the two special assessments will be billed to each Owner. The April refurbishment assessment will be \$492.30 for a 1 bedroom and \$639.25 for a 2 bedroom unit. The second and final payment for the refurbishment special assessment will be included in the 2010 Maintenance Fee Billing.

A detailed maintenance fee breakdown, including a focus on future reserves, will be included with the annual bill for 2009. Overall, every effort was made to keep the maintenance fees increase for items within our control to a minimum while still ensuring resort maintenance as well as superior service.

Looking Forward to 2009

The newly refurbished Lobby and villas will be simply spectacular! The Board of Directors all feel justifiably proud of the hard work they and the design and construction consultants have put into the project thus far. We believe that you, as Owners, will be very pleased with the results of our collective decisions to preserve and maintain your resort.

I would like to note that all of us on the Board are Owners—any decisions we make as a Board affect us just as much as they do you. Our goal is to ensure that we all have a resort that we are proud of and that is managed to our expectations. Marriott is one of the most recognized and respected hospitality companies in the world. And yes, Marriott is in the business to make a profit, just as any other company. The Board's charge is to work positively with Marriott, and avoid circumstances similar to those in the past that led to stalemates and delays. We believe we have accomplished this and can now work constructively together to ensure that our property remains the best in Aruba.

As you have read, this past year we celebrated a number of milestones that have changed the landscape and feel of the resort. More importantly, we will continue to focus on service and friendliness, which ultimately is what brings Owners back to Aruba year after year. Year to date, 89% of our Owners and guests continue to

tell us how friendly our associates are, and 80% tell us that overall they had a great vacation experience. Although these numbers may sound impressive to most, Marriott's Aruba Ocean Club will continue to strive for our goal of 100%.

It is an exciting time at Marriott's Aruba Ocean Club, and we look forward to an even greater future as we continue to transform the resort so as to provide unforgettable vacations for a lifetime!

Happy holidays,

Frank Knox
Association President