



November 12, 2008

Dear Fellow Aruba Ocean Club Owner:

Your Board of Directors just returned from the Annual Fall Board of Director's and Owner's Meetings in Aruba and I would like to take this opportunity to update you on the status of a number of initiatives that affect us all. In addition to this communication Resort Management will be sending a separate communication further detailing all the exciting changes taking place on the property.

First, we are very pleased to have on the team a new Aruba Ocean Club General Manager solely dedicated to our property. Corey Guest has been in the hospitality industry for over 20 years working for Hyatt Hotels, PepsiCo, Wyndham Hotels and for the last five years, Marriott International. What is more important is that most of the past 18 years, Corey has lived in Aruba and is intimately familiar with the island and changes that have occurred. Corey has impressed us all with his attention to detail and "can-do" attitude - but most important he has been very visible, accessible and responsive to the owners. As you will see further on in this letter, Corey and his staff have a daunting task ahead given the sheer number and scope of the projects they have already started and will continue to manage over the next 12 months.

Undoubtedly you have read or heard about the challenges that we have faced with our roof over the past few years. I am pleased to report that a total roof replacement is well underway and should be completed by mid-December. Marriott contracted with a nationally recognized and respected roof engineer/expert to advise us on the replacement. Independently, the Board also contracted with structural and mechanical engineers as well as an environmental expert to cross-check and verify that the installation, condition of existing structure and any environmental concerns meets stringent approval standards. First, the roof is being replaced in its entirety using an industry standard design that has been modified for Aruba's harsh sun and wind conditions. Second, we are pleased to report that there is no structural damage and while traces of water intrusion were found in areas that had sustained some water damage, it is easily remediated. There has been some erroneous information being circulated about the roof that should be clarified. First, the original roof was not defective; the building itself was constructed in the early to mid-90's; later purchased by Marriott and then completed and opened as the Aruba Ocean Club in 1999. The original roof is now past its useful life given the extreme conditions in Aruba; last year Marriott agreed with the Board to pay a substantial portion or percentage of the cost to replace the roof based on the period of time prior when it was turned over to the Association.

Recently the island of Aruba experienced some severe weather and power outages that negatively affected all businesses and homes. Most of us in the States heard very little, if anything at all, about Hurricane Omar which developed over a period of 36 hours just slightly to the north of Aruba during mid-October. The hurricane then took a north-easterly course and quickly passed by the Virgin Islands and then into the Atlantic where it dissipated. While it did not directly strike Aruba, heavy rains and tropical storm force winds for a period of a couple days caused more damage to the island than any time since Hurricane Lenny in 1999. The Ocean Club, like many other properties on the island, suffered beach erosion, landscaping and significant water damage to the west facing ocean front units. Most of the repairs are complete but the unexpected cost of repairs not covered by our insurance deductible must be paid by the Association. Everyone worked around the clock to reestablish services, clean up from the water intrusion and remove the massive amounts of seaweed from the beach. On a side note, I would like to thank the many owners who were in Aruba during Hurricane Omar for your assistance during the time helping the staff with beach clean-up. While no one can control 'mother nature', the staff did a tremendous job getting the facility back into working order as quickly as possible.

The Board has been communicating with the owners for the past several years regarding the anticipated 10-year renovation of the property. Let me assure you that we are extremely sensitive to the current economic conditions but after walking through the entire property, we all agreed that our resort is showing very visible signs of its age and its extremely heavy use (The Ocean Club averages over 94% occupancy year in and year out!). For that reason, we are moving forward with the complete renovation of the property from the lobby to the hallways and on into each and every villa. Our goal is to get maximum value for every dollar spent to ensure that in the end, we will all have a resort that we can be both comfortable in and proud of.

The cost of this extensive renovation necessitates an assessment of the owners. However, with the help of Marriott we were able to split the assessment over a two year period. The first assessment will come in several weeks (with payment due in January) and will cover renovation expenses for 2009; the second assessment will come in 2010. Despite the fact that the Association will have collected only half the funds, the renovation will begin in July 2009 and should be complete prior to Thanksgiving. Marriott is assisting us financially in two critical ways. The number of rooms available to owners during that period will not be reduced as rooms that Marriott controls through exchange and/or rental will be used to offset the villas taken out of inventory during the renovation. Second, Marriott is assisting us by basically advancing the second half of the funds needed for the project even though those funds will not be collected until five to six months following completion of the renovation. The Board is extremely appreciative for Marriott's cooperation in helping us accelerate the renovation, reducing our costs as owners by over \$ 1.5M and managing the renovation in such a way as not to inconvenience our owners.

This letter is the first communication of several; the next will be the management fall update of the resort followed by the annual billing which will include the first of two special assessments related to the upcoming renovation. The scope and cost of the renovation has been communicated in prior updates and the Board is still following the same strategy that has been laid out over the past couple of years. Aside from the renovation assessment, you will notice that your maintenance fee has increased from the prior year and the information regarding the factors necessitating the increase is included herein as well as in the operations update and the billing notice.

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After spending much time with the accounting staff, it is clear that the increase is driven almost entirely by inflation and the higher cost of electricity, water, labor and other goods and services on Aruba. As just one example, although our conservation efforts last year reduced electricity consumption by 5%, the cost of electricity on the island increased over 40%! Some of these increases are a result of higher oil prices but others are driven by a tight labor market and increased costs for shipping.

I am honored and humbled to have been elected as President of the Association. We have a strong, dynamic and talented Board that has the experience and commitment to guide us through these issues. The challenges that lay ahead will demand the time and energy of the Board like no time in the past. However, our #1 priority will always be to make the right decisions for the right reasons and to be as efficient as possible as we allocate our funds for these projects. Our ultimate goal is to give us all a resort that we can continue to enjoy and be proud of for many years to come.

Sincerely,

Frank Knox
President
Marriott Aruba Ocean Club Association