



March 2009

Dear Marriott's Aruba Ocean Club Owner:

Ten Year Renovation

After almost 10 years of extremely hard use (over 94% average occupancy – the highest within Marriott Vacation Club® International), the Aruba Ocean Club will undergo its first major villa renovation beginning this summer. Led by Board Member, Steve Richards, who has a background in construction management and 12 years experience in the hospitality industry, the Board has been working diligently over the past 18 months to ensure that we will receive maximum value for every dollar spent on the upcoming renovation. The overall cost of the project as initially estimated by the Marriott design team has been reduced by almost \$2 million by reducing the overall scope of work. For example, we saved 30% on the cost of new appliances (the largest single purchase within the renovation) by simply substituting off-white GE Profile appliances instead of stainless steel appliances. We also ensured that the new look of our resort will be more in keeping with our Caribbean surroundings and that the Ocean Club will have a more distinctive, home-like feel by substituting several custom features to the lobby and in the villas not found at other Marriott Vacation Club International properties.

Marriott's initial plans called for no work to be done to the villa bathrooms other than a fresh coat of paint. As we all know, our bathrooms desperately need to be upgraded to better utilize what little space there is. The renovation of the bathrooms will include:

1. Adding a double sink to most bathrooms; more durable granite counter tops
2. Adding more storage space including drawers to the bathroom vanities
3. Changing the doors so they swing into the bedroom rather than swing into the bathroom blocking the entrance to the shower
4. Rebuilding the shower enclosures so they are more functional and do not leak

The Board's decision to completely renovate all bathrooms added to the overall cost of the project because of the extensive demolition and reconstruction work required to bring our bathrooms up to acceptable standards.

Few Owners are aware that Marriott is providing a direct financial contribution approaching \$2,000,000 to our 10-year renovation. Marriott has waived fees that they are entitled to collect as part of their management agreement with the Association and they have offered up their rooms that they would otherwise rent or use for exchange within Marriott Vacation Club International and Interval International®. As a result, Owners who wish to use the property during the period of the renovation will not be turned away.

Future updates will provide additional details specifically about the villa and lobby renovation but here are some specifics about the overall plan:

- Because of the current economic conditions, the Board made the decision to split the assessment for the renovation between 2009 and 2010 to ease the burden on Owners. Because the funds to pay for the renovation will be split between two years, the renovation must be accomplished in two phases. 90% of the work including all construction will be done this summer and fall during the first phase while the second phase will be complete in early 2010.
- The 2009 renovation begins in mid July 2009 and is anticipated to be completed by Thanksgiving 2009. This phase includes renovation of all villas, hallways, common spaces and the lobby.
- During phase one, approximately 18 villas (one entire hallway on one wing of one floor) will be taken out of service for approximately 21 days. When complete, those villas will be put back into service and the next 18 villas will go under renovation until all villas are complete.

- Phase Two will occur in early 2010 which include replacing all appliances as well as several other smaller items that will not require that villas be taken out of service.
- Because Marriott is absorbing the loss of room inventory during the renovation from the weeks that they own/control, Ocean Club Owners will not be disadvantaged as a result of the renovation.
- The lobby renovation will be accomplished as early as possible during Phase One.

Hurricane Omar

Damage caused by last summer's Hurricane Omar has been repaired at a cost of approximately \$100,000 which is far less than originally expected. While the Association carries insurance on the property, the cost of repairs did not reach the level of our deductible so expenses were paid from our maintenance reserves. Similar to the insurance premium on your own home or automobile, you pay an escalated premium for a lower deductible and in Aruba's southernmost location in the Caribbean, paying that much higher premium is not a sound business decision.

Window Replacement

As you may have seen during visits to Aruba the past several years, many of the double pane, energy efficient windows in the Ocean Club had become cloudy because of broken seals. The original window manufacturer provided replacement windows under warranty. Marriott agreed to pay for the installation of the new windows and to purchase an additional 500 windows should they be needed in the future. To date, over 500 windows have been replaced at no cost to the association (since Marriott absorbed the cost) and we have sufficient windows on hand to replace others that might fail in the future... a benefit that was also paid for by Marriott.

2009 and 2010 Maintenance Fees

Last December the Board e-mailed responses to a number of questions frequently being asked by Owners. One of the updates explained the reasons for the significant increase in 2009 Maintenance Fees compared to prior years. As you may recall, 2009 Maintenance Fees were driven by significant increases in the cost of both electricity and water (up 43% and 22% respectively over 2007 rates), the growing cost of labor in Aruba, a 35% increase in shipping costs, fees and taxes and the cost to repair Hurricane Omar water damage not covered by insurance.

Last September, the cost per kilowatt hour (KWH) of electricity was \$.29. The cost of water was \$7.24 per unit. These were the rates used by the Board in October to set the 2009 budget which dictated the significant increase in 2009 maintenance fees. With the falling price of oil, the cost of utilities in Aruba has dropped substantially over the past three months. In December, electricity had dropped from \$.29 to \$.15 per KWH and water was down from \$7.24 to \$4.16 per unit.

Each year in October the Board sets the maintenance fee for the coming year based on year-to-date actual expenses and other known expenses for the coming year. In October 2008 the Board had no choice but to assume that utility rates in 2009 would be the same, if not more than in 2008. The Board also had to recover a substantial 2008 deficit resulting from unbudgeted increases in utilities and labor as well as unexpected repair and maintenance costs. Later this year, the Board will set the maintenance fee for 2010. If utility rates continue at or near the current level the Board anticipates a year-end surplus.

Look for the next Owner's Update in March where we will provide more details about the upcoming renovation and a final report on the recently completed roof replacement.

Bon Dia!

And remember those magnificent Aruba sunsets.