



October 2009

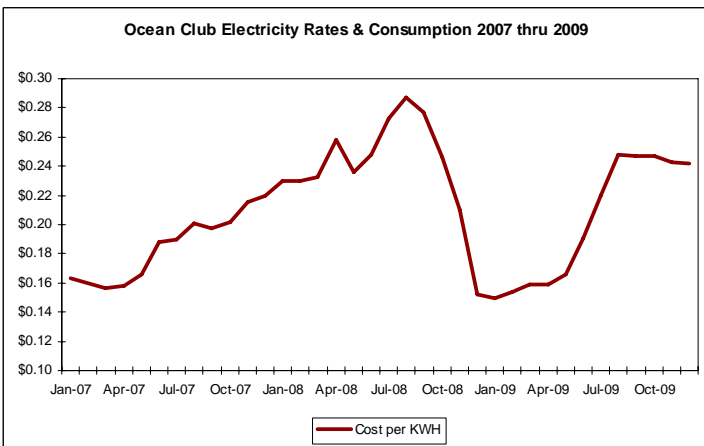
Dear Marriott's Aruba Ocean Club Owner,

The Aruba Ocean Club (AOC) Board of Directors recently approved the 2010 budget and maintenance fee, which represents a significant decrease of more than 13% as compared to the 2009 maintenance fee.

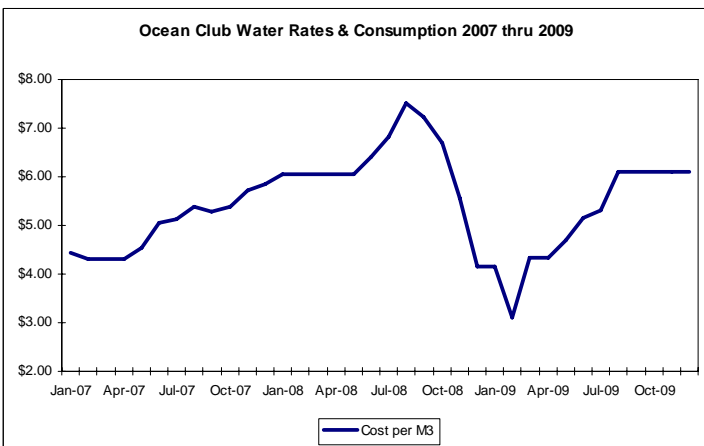
Although the current economic climate in Aruba has been as difficult as 2008, your Board of Directors believes that the initiatives that were put into motion over a year ago have proven successful. The resort is nearly finished with the first phase of the ten-year renovation and many of the cost-saving projects are taking effect; feedback from owners during the past six months have been extremely positive as the resort looks better than it ever has and the level of service is vastly improved.

The owner-based Finance Committee, established in late 2008, has spent a great deal of time working with the site Finance Team and General Manager on your behalf. The Finance Committee's efforts have been very instrumental in the review and validation of the 2008 Annual Audit, current operating and reserve expenditures as well as cost-savings initiatives. They have also played an instrumental role with the management team and Board in establishing the 2010 Budget. In 2010 we expect to see continued financial impact by three key factors specific to Aruba - utility rates, local taxes/inflation, and labor costs.

Below are two charts depicting electricity rate history on a per kilowatt hour and a secondary chart that represents the water rates per cubic meter.



Aruba has seen since January 2007 the rate per kilowatt of US\$0.15 climb steadily until it peaked in August 2008 at US\$0.29. This reflected a rate increase just shy of 100%. Although the electricity rate today is at US\$0.22 per kilowatt it is expected that this trend of rate increase will continue through year end.



Similarly, Water rates in Aruba have followed the same general pattern as electricity. In January 2007 the cost per cubic meter was \$4.44; this peaked in August 2008 at \$7.52 before retreating in February 2009 where it went as low as \$3.09. Yet, in only the past six months the rate has climbed by 75% to where it now stands at US\$5.30. It is expected that this trend will continue through the end of the year before possibly leveling out.

Over 24% of the resort's total operating expenses are related directly to the cost of electricity and water; although the resort has continued to improve the efficiency and reduce consumption (approximately by 5% or more per year), utility rates are the greatest contributing factor to the deficit or surplus of operating funds.

Other key items that have contributed to the reduction in the 2010 annual maintenance fee include:

- Outsource Concierge – The Concierge service we had was an allocated department throughout the three properties; as a strategy to reduce this cost the resort was able to outsource the service by eliminating the in-house cost of payroll and benefits as well as increase the amount the association receives on monthly rental. This effort will save the association over US\$58,000 per year while still providing the level of service expected by our owners.
- Wages, Benefits and Employee Relations – By limiting increases in wages and benefits as well as reducing expenses for employee relations, the association managed to save \$100,000 in expenses this year.
- Activities – Streamlining the Activities program by analyzing owner expectations through the post-visit on-line surveys as well as during weekly Owner Receptions, the management team was able to save approximately US\$10,000 in activity costs but still provide exceptional vacation experiences.

**As a result of the decrease in utilities and costs in Aruba as well as the other key items mentioned above, Annual Maintenance Fees (Operating and Reserve Fees) for 2010 will be \$1,089.40 for a one-bedroom and \$1,458.18 for a two-bedroom. This translates into a decrease in Annual Maintenance Fee of 13.33% and 14.10% respectively.**

**The breakdown of the 2010 Maintenance Fee on your billing statement is as follows:**

<b>2010 Maintenance Fee</b>	<u><b>1 Bedroom</b></u>	<u><b>2 Bedroom</b></u>
Operating Fee	632.21	832.56
Reserve Fee	309.93	420.72
Utilities	147.26	204.90
<b>Total</b>	<b>1,089.40</b>	<b>1,458.18</b>

It should be noted that we have broken out the Utility expense from the Operating Fee this year for greater clarity as requested by many of our owners.

Since November 2007, the AOC Board of Directors communicated the need for refurbishment assessments in 2009 and 2010 through various newsletters. As we have shared in the past, these assessments are to help offset the cost for the current ten-year refurbishment and to ensure adequate funding moving forward for our reserve fund.

In 2007, the presiding Board of Directors estimated the need for a reserve special assessment. The assessment was planned to be split into two individual payments, one in 2009 and the second in 2010 and each would be in the range of \$500 - \$600 for a one-bedroom and \$700 - \$800 for a two-bedroom villa. The current Board of Directors has worked diligently with Marriott to deliver a first-class renovation while reducing the overall cost of the project. As a result we have successfully reduced the 2010 reserve assessment by over 28%. The March 2010 Refurbishment Assessment will be \$337.30 for a one-bedroom villa and \$484.25 for a two-bedroom villa. In total, the 2010 Annual Maintenance Fee, including the final reserve assessment, will be 18.44% lower for a one-bedroom and 16.88% lower for a two-bedroom as compared with 2009 maintenance fee bill.

Marriott Vacation Club International, our Management Company, continues to work with your Board of Directors and owner Finance Committee to make certain we provide the vacation experience at Aruba Ocean Club each of us expects, while at the same time ensuring providing the best short-term and long-term value for each individual owner. In their efforts to assist the Association, Marriott has committed in excess of \$3,275,000 in financial support during this past year and next year, which effectively reduces total 2009 and 2010 maintenance fees by approximately \$292.00 per unit week.

Your input over this past year has been extremely valuable to the Board of Directors in continuing to set strategies Marriott's Aruba Ocean Club. We ask for your feedback and suggestions as we continue to manage and reduce expenses at every opportunity yet ensure our property remains the same premier resort it was when you purchased.

You may call toll-free at 800-443-4391 or e-mail [owner.services@vacationclub.com](mailto:owner.services@vacationclub.com), if you have any questions about the 2010 Maintenance Fee statement.

Warm Regards,

Your Ocean Club Board of Directors