



6910 Great Bay, St. Thomas, USVI 00802



October 13, 2017

Dear Fellow Ritz-Carlton Club Member,

It saddens us to report that our Club will be closed *at least* through March 2nd and quite likely even beyond the end of our high season April 28th. We hope to announce early next year a date certain for reopening. In the meantime, we encourage Members to exercise great caution in making any non-refundable airline reservations to St. Thomas between now and late April in the expectation the Club might be open.

Here are some of the factors that weighed heavily in our decision:

The Club buildings withstood the two hurricanes with only minimal damage to the façade, flashings and roof structures. However, the landscaping was basically wiped out, all of the elevators had water damage and were not working and will require extensive repairs. The air conditioning equipment had water damage in over 40% of the units, replacement parts are scarce and require lead-times of up to six months to order. We are currently assessing whether we will need to replace the entire AC equipment in the Residences. The "chillers" or AC equipment for the Suites were substantially damaged and will need to be replaced which will take time.

Adding to these problems is the water penetration or "wicking" that occurred under the doors and windows in almost 90% of our units. This will require extensive replacement of sheet rock, mold remediation, rebuilding and decorating. Of course, power was out on the entire Island and our back-up generators initially were not operating.

While it took several days, we are pleased to report that our generators are working now. However, these generators were meant to be standby or back up units and were never intended to run 24/7 for many months. We therefore already placed an order for one new generator and will be purchasing another generator shortly in order to run the club independently of the Virgin Island Water and Power Authority (WAPA.) We have now finally put together a remediation plan. We have been arranging for contractors and have ordered the necessary parts and equipment. All of this, however, takes considerable time even in the best of circumstances which these are not.

We are a strong Club with great resources. We actually do believe we could overcome these difficulties by March. The considerably larger problem, however, is not so much our recovery as it is the recovery of those around us. The Hotel disclosed last week that it will not be opening until October, 2018.

This impacts us in a number of important ways, including the operation of Coconut Cove and the Spa not to mention the Hotel restaurants. We are now working to have at least some of these facilities available to our Members should we open before the Hotel.

Essential island services are still lacking. Most of the island is still without power. WAPA has estimated that it may be February or March before electricity is restored on the East End of the island. The hospital remains in disrepair. Many roads are still impassable with power lines down. Ferry service is erratic. There are sanitation issues. Curfews remain in effect. ALL restaurants near us are closed. Cell phone and Internet service is spotty at best. All of these factors are beyond our control. There are some hopeful signs. Power is slowly being restored by linemen brought in from the mainland erecting electric poles brought in by barge. Some businesses in Charlotte Amalie are beginning to open. But pinpointing when the island will truly be ready for tourism again is all but impossible at least until electricity is fully restored.

As you might imagine, this all raises tricky questions about our 2017-2018 assessments and how Members might be compensated for the lost weeks of allocation. Prior to Irma's assault on St. Thomas, the Board had prepared a budget that paralleled last year's budget with no increase in assessments. It would have been the ninth straight year without an increase, an achievement in which we all took considerable pride.

The damage caused by Hurricanes Irma and Maria complicates the calculus. While we have plenty of insurance—over \$90 million—we have a \$2.6 million dollar deductible that we're going to have to pay. Also, there may be some uninsured losses. At this time, we estimate that the one-time nonrecurring cost per Member should be no more than \$2000. Some of this may be offset by a reduction in expenses as a result of our closure.

The Board still expects to have its revised annual bills out before the end of the year. We are also in negotiations with our insurance carrier about not only the property losses, but also the business interruption coverage. It is our position that the Association should get a full credit for the assessments for each day the Club is closed and we are prepared to press that claim to the fullest. This would translate into a credit for each Member's lost allocation which would be passed on to you. Members who booked their 2017 allocated time in September and October should also be compensated. While we are not sure what form this credit will take, we are determined to work out some appropriate compensation to cover these losses one way or another.

We hope this communication is responsive to the many inquiries we have received from our Members. There are still a number of issues that remain unresolved and we will keep you updated as best we can. The Board also plans to host a telephone conference call next month to answer your questions and hear your concerns. We'll notify you once the date and time are set.

Please bear with us as we work through these complicated issues and difficult times. Know that your volunteer Board is putting in countless hours, working closely with the Ritz-Carlton Management team, our insurance carriers, our accountants and attorneys to protect the Club and all of our interests. We are confident that when our Club opens again, it will be stronger and more beautiful than ever. We look forward to seeing you back on our pristine beaches.

Until then, we thank you for your patience and support.

GREAT BAY CONDOMINIUM OWNERS ASSOCIATION, INC.

6910 GREAT BAY; ST. THOMAS USVI 00802

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