

COMMENTS ON FINANCIAL RESULTS AS OF THE END OF MAY 2009 (7 MONTHS)

Owners, please find attached the financial results as of May 31, 2009. We now have to make month-end with a substantial increase in our cost for water and sewer, and also the build-up of our accounts receivable due to our inability to force the banks and mortgage companies to proceed with the foreclosures. Because of owners in foreclosure who have left Waterside, we not only cannot collect our dues, but we have to maintain those units in order that they do not deteriorate adjacent units. As example, we have to check for water leaks and shut down the main water valve, close the shutters, check for pest control, etc. This statement indicates minimum changes in our forecast since the April forecast. The forecast for the total year does compensate when compared to the full year's budget, which is more meaningful and is a better management tool to ensure that total budgetary objectives will be achieved.

HIGHLIGHTS

We did increase our revenue from Estoppel fees for the eleven units sold so far this year. Two more are at the closing stage and two offers are ongoing. We are now forecasting 16 units that will be sold this year. This is two short of the budget estimate, but considering the current economic situation in the United States and the exchange rate of the Canadian dollar, we are in better shape than many communities. If only the banks and mortgage companies would cooperate we could reach 20 units sold.

On the positive side, we are benefitting from our insurance negotiation. An agent visited our site (a normal audit for an insurance company) to further investigate our roof condition and its attachments to the structure. Everything passed inspection.

We have reached agreement on the two components of our website. We now have to integrate them and streamline the process. There will be a section reserved for the owners that will include the financial report, the minutes from the various Board meetings, and the "Ask the President" section. The office will be the contact point for the "Units For Sale" section and this will be standardized in reference to the contents each owner will have to provide. The "For Rent" section will still be posted by owners but there will be restrictions on the duration of an advertisement. We do hope to have completed this integration by summer's end. Your Board wants to thank Mr. Jean-Pierre Nadeau and Michel Dumais for the time and money they have invested in their part of the project, and also a special thanks to Scott Perron and his wife for their agreement to continue the integration and modification of our site. This is a project that would be in constant evolution.

We have reviewed our tree maintenance program and reduced our cost projection for the current year. Originally we were planning to do tree pruning to prepare for the hurricane season, but after consultation with our service provider, we concluded that this year --- in addition to the palm tree work already done --- we will only reduce the size of our trees, and next year we will do a hurricane preparation. This will now become a routine, thanks to NovoArbor, who has acted in a very professional way with our consultation requirements.

We now have a very stable work force, and this situation contributes to better productivity and better control over expenses.

On the negative side, we did report last month the substantial increase of our water and sewer cost, and this will penalize Waterside for many years to come. As mentioned last month it will be our single largest cost of our budget for next year and represents an increase in our operating cost of more than \$15.00 a month. We can absorb this increase for the current year, and we will need to review our three-year plan in order to determine how we can manage with such an increase without reducing our investment that creates value for our owners. There is limited action that can be taken as the fixed portion will represent \$200,000.00 and the variable portion about \$30,000.00. We are currently analyzing a couple of alternatives in order to reduce water consumption at the pools and we will continue to monitor the consumption per building and report on any special situation.

The legal costs are going back up and this is mainly due to our receivables situation. In addition to not collecting our dues, we also have to spend money to protect our interests.

We will adjust the building maintenance cost, now that the major repairs to buildings are completed by reversing the \$4,655.00 that appears as a credit under contingency. We were waiting for the insurance finalization and did make an accrual for such cost before closing the book for the previous year end.

Some confusion does exist between the two accounts --- ground maintenance and new trees and bushes.

The onetime charge in May for asphalt repairs was accounted for with a payment of \$21,000. This was not budgeted for the current year and created a budget overrun of close to \$17,000.00. We have also completed the replacement of our flag pole at a cost of \$3,663.00; this item was also not budgeted. We are also exceeding budget by \$6,902.00 for the entrance sign. This project was planned to be done over a two-year period but was done completely. We still have to do the entrance fountain.

GENERAL COMMENTS

Following last month's positive impact from our insurance negotiation and mainly the negative impact of the water and sewer, our forecast for the year does remain stable with a potential surplus of revenue over expenses of \$40,207.00. This figure is before the impact of the cost related to the potential land acquisition. We do not have any additional comments to make on this; we are still working on the legal wording with the Town of Hypoluxo.

ACCOUNTS RECEIVABLE

The accounts receivable now stands at \$77,765.00 --- not a record, but very close, and if no solution for the foreclosure process is found, this will simply grow by \$3,000.00 a month. We have created a reserve and there will be no need to have a special assessment to cover this expense. The impact is

equivalent to \$6.00 a month for each of the good paying owners. This prevents Waterside to continue to invest in its infrastructure. We now have 11 foreclosures and three legal cases. One of the foreclosures is being bought and one offer is outstanding on a second one. In addition to the legal cost that we have to support for those, it also creates a burden on the office staff and for our accounting firm.

CONCLUSION

We still have to digest the full impact of the water and sewer cost increase and also the situation of our receivables. It is hard for your Board to manage and accept. But we can all say that we are in better shape than a lot of other associations who are now close to bankruptcy. This is not the case at Waterside.

Other expenses are very close to be in line with the budget of the year, with the exception of the one-time projects that were duly approved.

Let's hope that we can give you better news next month on the Miner Road property.

Thanks to all the owners who did provide their email address to the office. This will lead to cost reduction in the future.

For the Board of Directors

By Andre Mongrain President

June 16, 2009

SEVEN MONTHS FINANCIAL RESULTS AS OF END OF MAY 2009

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
<u>REVENUE</u>				290		
NSF FEE	150	0	150	0	150	
100 ASSESSMENTS **	759,093	761,414	1,302,000	1,305,280	-3,280	290.00
102 LATE FEE INCOME	5,185	583	6,000	1,000	5,000	
103 INTEREST INCOME	268	4,083	5,500	7,000	-1,500	
104 ESTOPPEL FEE	1,650	1,575	2,400	2,700	-300	
106 ACCESS/GATE CARDS	15	292	100	500	-400	
107 TRANSFER/SCREENING FEE	21,700	12,833	25,000	22,000	3,000	
108 MISCELLANEOUS INCOME	3,288	759	3,500	1,300	2,200	
TOTAL REVENUE	791,349	781,539	1,344,650	1,339,780	4,870	
<u>EXPENSES</u>						
<u>UTILITIES</u>						
200 ELECTRIC	29,054	30,917	52,000	53,000	-1,000	10.75
201 WATER & SEWER	100,952	95,083	193,000	163,000	30,000	33.05
202 GARBAGE & RECYCLING	17,961	18,083	31,000	31,000	0	6.29
203 PROPANE GAS	348	4,084	1,000	7,000	-6,000	1.42
204 CABLE T.V.	42,450	36,167	64,000	62,000	2,000	12.57
205 TELEPHONE	4,821	4,200	7,500	7,200	300	1.46
205.1 WIFI	1,076	14,583	2,000	25,000	-23,000	5.06
	196,662	203,117	350,500	348,200	2,300	70.60

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
ADMINISTRATIVE						
300 PAYROLL-ADMINISTRATIVE	63,034	63,584	109,000	109,000	0	22.10
301 PAYROLL-MAINTENANCE	34,743	34,592	59,300	59,300	0	12.02
302 PAYROLL TAXES	9,097	7,758	14,500	13,300	1,200	2.70
302.1 EMPLOYEE BENEFITS	5,556	6,533	10,200	11,200	-1,000	2.27
303 PAYROLL SERVICE FEES	2,120	2,100	3,600	3,600	0	0.73
304 SECURITY GUARDS	29,228	30,625	49,000	52,500	-3,500	10.64
305 ACCOUNTING	14,538	14,875	25,500	25,500	0	5.17
305.1 BANK FEES	1,023	350	1,200	600	600	0.12
305.2 BAD DEBT	-761	16,042	27,500	27,500	0	5.58
306 AUDITING	4,200	2,625	4,500	4,500	0	0.91
307 LEGAL	9,338	5,250	12,000	9,000	3,000	1.82
308 PROPERTY TAX	1,941	1,225	2,100	2,100	0	0.43
309 INCOME TAX	-61	408	0	700	-700	0.13
310 INSURANCE	157,313	165,083	232,835	283,000	-50,165	57.38
311 OFFICE SUPPLIES	2,552	3,208	4,500	5,500	-1,000	1.12
312 POSTAGE & SHIPPING	1,670	2,188	3,250	3,750	-500	0.76
313 LICENSES	2,334	1,458	2,334	2,500	-166	0.51
314 TRAVEL & MILEAGE	331	204	400	350	50	0.07
315 MEETINGS & EDUCATION	0	292	250	500	-250	0.10
316 SCREENING	5,944	3,208	7,000	5,500	1,500	1.12
317 ALARM SYSTEM	239	292	500	500	0	0.10
318 COMPUTER REPAIR/SERVICE	0	1,167	1,000	2,000	-1,000	0.42
319 COPIER	2,158	2,217	3,800	3,800	0	0.76
320 MISCELLANEOUS ADMIN.EXP.	5,943	1,458	6,500	2,500	4,000	0.51
320.1 WEBSITE IMPROVEMENT	5,944	4,375	6,500	7,500	-1,000	1.52
	358,424	371,117	587,269	636,200	-48,931	128.99

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MAINTENANCE						
400 GASOLINE	167	438	400	750	-350	0.15
401 SPRINKLERS	13,792	5,250	15,000	9,000	6,000	1.82
402 PEST CONTROL	12,789	14,000	23,000	24,000	-1,000	4.87
402.6 MISC. MAINT.EXP.	350	292	700	500	200	0.10
403 LANDSCAPING	74,711	77,000	110,000	132,000	-22,000	26.76
FERTILIZATION & WEED CON.	5,415	0	16,000	0	16,000	
404 TREE TRIMING	3,150	4,083	7,300	7,000	300	1.42
404.1 NEW TREES & BUSHES	13,084	14,583	15,000	25,000	-10,000	5.07
405 BUILDING MAINTENANCE	23,859	11,667	20,345	20,000	345	4.05
406 GROUNDS MAINTENANCE	9,570	4,083	10,000	7,000	3,000	1.42
407 SECURITY GATE EXPENSE	2,394	3,500	4,000	6,000	-2,000	1.22
408 CAMERA & VIDEO EXP.	0	7,000	1,000	12,000	-11,000	2.43
409 PLUMBING EXP.	718	583	1,000	1,000	0	0.20
410 ELECTRICAL EXP.	5,852	3,500	6,500	6,000	500	1.22
411 POOL SUPPLIES & REPAIR	9,616	5,833	12,000	10,000	2,000	2.03
412 STREET MAINTENANCE	26,864	5,833	26,864	10,000	16,864	2.03
413 UNIFORMS	0	152	260	260	0	0.05
414 GOLF CARTS	31	1,167	1,000	2,000	-1,000	0.41
415 LOCKSMITH	511	233	600	400	200	0.08
416 FIRE SAFETY	5,231	3,208	5,500	5,500	0	1.12
417 JANITORIAL SUPPLIES	1,903	1,400	3,000	2,400	600	0.49
419 POSTAL STATION	524	1,750	2,000	3,000	-1,000	0.61
420 PAINTING PROGRAM	15,000	7,583	15,000	13,000	2,000	2.63
421 STREET LIGHT	0	2,917	2,800	5,000	-2,200	1.01
422 SHUFFLE BOARD CANOPY	10,130	2,917	10,130	5,000	5,130	1.01
423 FLAG POST	3,663	0	3,663	0	3,663	
424 TENNIS COURT	16,070	8,750	16,070	15,000	1,070	3.06
425 POOL CHAIRS/TABLES	5,787	3,792	6,000	6,500	-500	1.31
426 ENTRANCE SIGNS/FOUNTAIN	11,902	2,917	11,902	5,000	6,902	1.01
	273,083	194,431	347,034	333,310	23,034	67.58

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450 CONTINGENCY	-4,655	7,041	12,070	12,070	0	2.45
476 INTEREST EXPENSE	3,265	5,833	5,000	10,000	-5,000	2.03
	-1,390	12,874	17,070	22,070	-5,000	4.48
<u>GRAND TOTAL EXPENSES</u>	826,779	781,539	1,301,873	1,339,780	-37,907	271.65
<u>REVENUE OVER EXPENSES</u>	-35,430	0	40,207	0	40,207	0

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<u>RESERVES</u>						
ROOFS	14,583	14,583	25,000	25,000	0	5.07
PAINTING	1,400	1,400	2,400	2,400	0	0.49
ASPHALT	14,583	14,583	25,000	25,000	0	5.07
POOLS	7,350	7,350	12,600	12,600	0	2.55
AWNINGS	11,667	11,667	20,000	20,000	0	4.06
SPRINKLERS	5,834	5,834	10,000	10,000	0	2.02
WORKING CAPITAL	17,500	17,500	30,000	30,000	0	6.08
	72,917	72,917	125,000	125,000	0	25.34