

COMMENTS ON FINANCIAL RESULTS AS OF THE END OF JULY 2009 (9 MONTHS)

Owners, please find attached the financial results as of July 31, 2009. Your Board and your manager Daniel Harvey's cumulative results are that we are now in positive territory after 9 months. This was projected, and with strict control over cash management, we can easily see that we will achieve the forecast for the year and even exceed those forecasts. Your Board remains concerned with the substantial increase in our cost for water and sewage, and also the buildup of our accounts receivable due to our inability to force the banks and mortgage companies to proceed with the foreclosures, even for the owners who have left Waterside.

Please note that with the great help of our volunteers and with the positive impact of the owners who pay in advance, we did manage to accelerate the program of investment for the year. For the current year we are left with the seal-coating of our pavement and your Board is currently debating the issue. A series of projects have now been completed: the post office, the flag pole, the tennis courts, the shuffle board canopies, the tree trimming, the fire extinguishers, the entrance sign, the fences, the audit, the website, and many others, where all costs are either already fully incurred or nearly so.

We do see some movement on some units in foreclosure. A second short sale has been completed and one bank is proceeding in court to complete a foreclosure procedure. Then they will have to take care of the payment of the regular assessment and also pay back six months of regular assessment fees.

This statement indicates some improvements in our forecast since the June forecast. In total we are now forecasting a surplus in the range of \$50,000.00 before the seal-coating decision; we are now in the process of finalizing our negotiations with the most qualified bidder. Also we do not see any event that may force us to use the contingency money; if not used we will increase the reserve for bad debt.

We still have to finalize the treatment of the interest revenue with our accounting firm. Our various reserves are fully funded, and in accordance with current trends, we expect that, besides day-to-day operations, we will be left with no debt on the books by the end of the current fiscal year, and will have created some working capital funds.

HIGHLIGHTS

REVENUE

Since the June forecast we did increase our revenue from Estoppel Fees. We now have sixteen units sold so far this year. Two more are at the closing stage and two offers are on-going. We are now forecasting 20 units that will be sold this year. This exceeds our budget estimate, considering the current economic situation in the United States. Despite the very slow process of units under foreclosure 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 24 units sold, compared to 39 last year and 22 the year before.

We have increased our revenue from late fees and the revenue from screening new occupants. We have not yet published a newsletter for general distribution, but we hope to do so within the next two

weeks. Please accept my apology. We also have to recognize that this increased revenue in the late fees normally will end up in the bad debt heading.

EXPENSES

The objective remains the same: if we have an overrun in one type of expense, we try to find a way to save on something else. We always keep in mind the long-term impact that this may have. Your Board will continue to invest and maintain the site in excellent condition. As mentioned, due to the positive impact of the work performed by our volunteers last winter, our maintenance staff can now address situations that it would be impossible to consider previously, like fixing and painting doors of the units that were painted in 2006-2007, when this was not part of the scope. The new budget for 2009-2010 will show some of the positive impact of the support of our volunteers and we will maintain this approach.

On the utilities type of expenses, we have no change in this total category. We remain very concerned about the water and sewage cost. From Daniel's follow-up with some specific owners we did see some improvement in the water consumption. Rest assured that we will maintain this control and next month we will produce part of this report with exact figures for some units or group of units.

On the administrative group of expenses, there has been very little change from the previous month's forecast.

On the insurance subject there is some confusion amongst owners. The last Florida legislature did not modify the requirement on the required minimum loss assessment coverage of \$2,000.00 and the obligation to provide a copy to Waterside of such policy and to have Waterside Village named as co-insured on the insurance policy is all still required.

Early in mid-July we completed our tree maintenance program and increased cost projection for the current year. Originally we were planning to do a tree-pruning to prepare for the hurricane season, but after consultation with our service provider, we concluded that with the work already done this year, including the palm trees, we only need to reduce the size of our trees. Next year we will do a hurricane preparation. This will now become a routine. NovoArbor has conducted the survey and the work.

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.

GENERAL COMMENTS

Following last month's positive impact from our insurance negotiations and mainly the negative impact of the water and sewage, our forecast for the year has improved with a potential surplus of revenue over expenses of \$50,000.00. This figure is before the impact of the cost related to the potential land acquisition and the seal coating. We are still working on the legal document for this transaction, which by the way, will need to follow a foreclosure and auction process. At best this file will be closed over the next 12 months.

ACCOUNTS RECEIVABLE

The accounts receivables now stand at \$90,054 --- a record --- 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 14 foreclosures and three legal cases. One of the foreclosures is being bought and the closing took place in late August. So we do see some encouraging signs even if the number of foreclosures did remain stable. In addition to the legal costs that we have to support for those, it also creates a burden on the office staff and on our accounting firm.

If we can simply resolve those foreclosures, which now have an impact on the value of each of our units, we will be in excellent position for the future by resolving those situations.

CONCLUSION

We are maintaining our budget objective for the year even with the negative impact of the water and sewage and the foreclosures that impact the quality of our receivables. Thanks to all for reading these notes. We now have over 320 owners with an email address, and the office personnel continue to add more to our list.

For the Board of Directors

By Andre Mongrain President

August 30, 2009

NINE MONTHS FINANCIAL RESULTS AS OF END OF JULY 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 **	976,640	978,960	1,302,000	1,305,280	-3,280	290.00
102 LATE FEE INCOME	7,610	750	10,000	1,000	9,000	
103 INTEREST INCOME	376	5,250	5,500	7,000	-1,500	
104 ESTOPPEL FEE	2,400	2,025	3,000	2,700	300	
106 ACCESS/GATE CARDS	15	375	100	500	-400	
107 TRANSFER/SCREENING FEE	24,100	16,500	29,100	22,000	7,100	
108 MISCELLANEOUS INCOME	3,703	975	4,500	1,300	3,200	
TOTAL REVENUE	1,014,994	1,004,835	1,354,350	1,339,780	14,570	
<u>EXPENSES</u>						
<u>UTILITIES</u>						
200 ELECTRIC	35,456	39,750	51,000	53,000	-2,000	10.75
201 WATER & SEWER	134,934	122,250	193,000	163,000	30,000	33.05
202 GARBAGE & RECYCLING	22,125	23,250	31,000	31,000	0	6.29
203 PROPANE GAS	643	5,250	1,000	7,000	-6,000	1.42
204 CABLE T.V.	51,493	46,500	65,000	62,000	3,000	12.57
205 TELEPHONE	6,307	5,400	8,300	7,200	1,100	1.46
205.1 WIFI	1,392	18,750	2,000	25,000	-23,000	5.06
	252,350	261,150	351,300	348,200	3,100	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	82,208	81,750	109,600	109,000	600	22.10
301 PAYROLL-MAINTENANCE	45,849	44,475	60,000	59,300	700	12.02
302 PAYROLL TAXES	11,413	9,975	14,700	13,300	1,400	2.70
302.1 EMPLOYEE BENEFITS	7,455	8,400	10,200	11,200	-1,000	2.27
303 PAYROLL SERVICE FEES	2,644	2,700	3,600	3,600	0	0.73
304 SECURITY GUARDS	36,294	39,375	49,000	52,500	-3,500	10.64
305 ACCOUNTING	18,595	19,125	25,000	25,500	-500	5.17
305.1 BANK FEES	1,252	450	1,600	600	1,000	0.12
305.2 BAD DEBT	-1,506	20,625	27,500	27,500	0	5.58
306 AUDITING	4,200	3,375	4,500	4,500	0	0.91
307 LEGAL	8,744	6,750	13,000	9,000	4,000	1.82
308 PROPERTY TAX	1,941	1,575	2,100	2,100	0	0.43
309 INCOME TAX	-61	525	0	700	-700	0.13
310 INSURANCE	188,659	212,250	232,835	283,000	-50,165	57.38
311 OFFICE SUPPLIES	2,727	4,125	4,200	5,500	-1,300	1.12
312 POSTAGE & SHIPPING	2,163	2,813	3,050	3,750	-700	0.76
313 LICENSES	2,334	1,875	2,334	2,500	-166	0.51
314 TRAVEL & MILEAGE	437	262	550	350	200	0.07
315 MEETINGS & EDUCATION	0	375	250	500	-250	0.10
316 SCREENING	6,336	4,125	8,000	5,500	2,500	1.12
317 ALARM SYSTEM	319	375	400	500	-100	0.10
318 COMPUTER REPAIR/SERVICE	0	1,500	1,000	2,000	-1,000	0.42
319 COPIER	2,742	2,850	3,600	3,800	-200	0.76
320 MISCELLANEOUS ADMIN.EXP.	6,233	1,875	6,500	2,500	4,000	0.51
320.1 WEBSITE IMPROVEMENT	5,944	5,625	6,500	7,500	-1,000	1.52
	436,922	477,150	590,019	636,200	-46,181	128.99

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<u>MAINTENANCE</u>						
400 GASOLINE	383	563	500	750	-250	0.15
401 SPRINKLERS	15,335	6,750	16,500	9,000	7,500	1.82
402 PEST CONTROL	16,628	18,000	22,500	24,000	-1,500	4.87
402.6 MISC. MAINT.EXP.	350	375	700	500	200	0.10
403 LANDSCAPING	93,128	99,000	108,000	132,000	-24,000	26.76
FERTILIZATION & WEED CON.	5,415	0	16,000	0	16,000	
404 TREE TRIMMING	8,725	5,250	8,725	7,000	1,725	1.42
404.1 NEW TREES & BUSHES	13,461	18,750	15,000	25,000	-10,000	5.07
405 BUILDING MAINTENANCE	24,697	15,000	21,000	20,000	1,000	4.05
406 GROUNDS MAINTENANCE	9,765	5,250	10,000	7,000	3,000	1.42
407 SECURITY GATE EXPENSE	2,833	4,500	4,000	6,000	-2,000	1.22
408 CAMERA & VIDEO EXP.	0	9,000	500	12,000	-11,500	2.43
409 PLUMBING EXP.	718	750	1,000	1,000	0	0.20
410 ELECTRICAL EXP.	5,874	4,500	6,500	6,000	500	1.22
411 POOL SUPPLIES & REPAIR	10,958	7,500	12,000	10,000	2,000	2.03
412 STREET MAINTENANCE	26,864	7,500	26,864	10,000	16,864	2.03
413 UNIFORMS	0	195	0	260	-260	0.05
414 GOLF CARTS	31	1,500	500	2,000	-1,500	0.41
415 LOCKSMITH	511	300	600	400	200	0.08
416 FIRE SAFETY	5,755	4,125	5,755	5,500	255	1.12
417 JANITORIAL SUPPLIES	1,904	1,800	3,000	2,400	600	0.49
419 POSTAL STATION	523	2,250	2,000	3,000	-1,000	0.61
420 PAINTING PROGRAM	15,000	9,750	15,000	13,000	2,000	2.63
421 STREET LIGHT	0	3,750	2,000	5,000	-3,000	1.01
422 SHUFFLE BOARD CANOPY	10,130	3,750	10,130	5,000	5,130	1.01
423 FLAG POST	3,663	0	3,663	0	3,663	
424 TENNIS COURT	16,070	11,250	16,070	15,000	1,070	3.06
425 POOL CHAIRS/TABLES	5,787	4,875	6,000	6,500	-500	1.31
426 ENTRANCE SIGNS/FOUNTAIN	11,902	3,750	11,902	5,000	6,902	1.01
	306,410	249,983	346,409	333,310	13,099	67.58

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450 CONTINGENCY	-4,655	9,052	12,070	12,070	0	2.45
476 INTEREST EXPENSE	4,166	7,500	5,200	10,000	-4,800	2.03
	-489	16,552	17,270	22,070	-4,800	4.48
GRAND TOTAL EXPENSES	995,193	1,004,835	1,304,998	1,339,780	-34,782	271.65
REVENUE OVER EXPENSES	19,801	0	49,352	0	49,352	0

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RESERVES						
ROOFS	18,750	18,750	25,000	25,000	0	5.07
PAINTING	1,800	1,800	2,400	2,400	0	0.49
ASPHALT	18,750	18,750	25,000	25,000	0	5.07
POOLS	9,450	9,450	12,600	12,600	0	2.55
AWNINGS	14,500	14,500	20,000	20,000	0	4.06
SPRINKLERS	7,500	7,500	10,000	10,000	0	2.02
WORKING CAPITAL	22,500	22,500	30,000	30,000	0	6.08
	93,250	93,250	125,000	125,000	0	25.34