

COMMENTS ON FINANCIAL RESULTS AND PROJECTION FOR THE FULL YEAR 2008

MAY 31, 2008

Owners, please find attached the financial results as of May 31, 2008 or seven months into our current fiscal year. This statement includes the cumulative results compared to the budget after 7 months and is also a current forecast for the total year compared to the budget for the year, and also compared to the previous two-month' yearly forecast.

We produce these forecasts on a monthly basis in order to manage the budget for the total year, where we have to take into consideration that some of the charges are a one-time payment and the budget is pro-rated over a 12 month- period. We are also faced with some expenses that are not yet incurred, like the postal station and bad debts for the year. We do forecast those expenses in order to monitor the total budget objective.

1) REVENUE

Minor fluctuation occurs on a year-to-date basis when compared to the total revenue for the seven months period. We do better after seven months than the budget (\$761,554 vs. budget of \$755,708) or about \$6,000 better than budgeted, but we expect to be short of the budget for the full year by \$ 3,895. This expected shortfall is the result of the registration and discontinued parking decal fee, and the delay in introducing the new rule for screening. We can still erase this shortfall if the rental season starts early, and if we do better than the \$17,000 currently projected for screening fee.

We are doing well under the receivables. We do see a shortfall in late fees and interest revenue when compared to the budget. The unit sale activities are still going strong and we are exceeding the budget under the Estoppel heading. If we reach \$6,000 this will mean that 40 sales will have taken place during the twelve months' period of the budget.

2) EXPENSES

2.1) EXPECTED BUDGET OVERUN

Budget item 200 (Electricity): This will be over budget amount by about \$6,000.00. This is due to the fact that expenses for street lights were not accounted for in the previous year. In addition we deposited an amount of \$1,300.00 in order to guarantee future invoice payments.

Budget item 203 (Propane gas) will experience a budget overrun by about \$4,000.00 due to the fact that during the winter pool temperature was maintained a bit higher and period of pool heating was extended compared to the previous year. We have asked Daniel, our Manager, to look at alternatives and to come up with a recommendation in time for the next budget submission to owners. We also have to recognize that the price of propane gas is going up.

Budget item 300 (Payroll Administrative), we are now running below budget, but there is no way to compensate the cost overrun of the first four months of the year. We will have the full benefit of the cost reduction during the coming new financial year.

Budget item 305.2 (Bad Debt), this is the first year where we estimated the potential loss due to non-payment by some owners of various fees such as the shutters, special assessments or regular maintenance assessment. This was not budgeted specifically in any previous year's budget, but it should be in the future. So far this overrun is compensated by the contingency account (450).

Budget item 307 (Legal): The overrun of \$16,000.00 is a sum of \$8,250.00 which comes from a prior year invoice that was not produced by our legal firm. Close to \$2,000.00 came from a dispute related to the window permits and a further \$2,000.00 came from the parking fee and the screening process. We have put in place strict control on the use of legal services and we will initiate discussion with the law firm for a contract renewal. We have less receivable with owners under legal procedure now, so this also helps to contain the legal cost.

Budget item 316 (Screening), relates to the criminal and financial screening in accordance with the rules and regulations. The financial screening cost is minimal as the process is done online following owner agreement and the same is for the criminal screening process for US residents. It is more costly for the criminal background check for a snowbird from north of the border. We also have to take in consideration that we are now screening all new occupants of a unit.

Budget item 404 (Tree trimming): This program for the current year is now completed as we trimmed in preparation for the hurricane season the central avenue, the larger trees and also cleaned up palm trees. We also did major trimming work between the retention basin and the railroad track.

Budget item 407 (Security gate expense): We decided to add an exit gate arm (\$5,000.00). We also were faced with \$1,200.00 worth of expenses that should have been recorded in the previous year and incurred a special expense following damage done to the exit gate by a motorcycle that forced the exit gate.

2.2 EXPECTED BUDGET UNDERRUN

Budget item 204 (Satellite T.V.): This is the result of a budget error. Basically it costs about \$4,200.00 per month for Direct TV and a onetime charge of \$6,200.00 for the French channels. Other costs relate to the equipment maintenance.

Budget item 301 (Payroll-Maintenance): This is the result of staff reduction in the maintenance area. A staff level of 3 was originally budgeted and we are down to 2 since February.

Budget item 302.1 (Employee benefits): With the personnel change we have also cancelled all insurance program that were in place.

Budget item 404.1 (New trees and bushes): We have not approved any further expenses on this until a complete plan is formalized and presented to the owners.

Budget item (Postal station): This forecast is in accordance with the latest proposal received. We have granted a contract for the architectural design and engineering specification. This step is necessary in order to obtain the construction permit from the Town of Hypoluxo.

3. PROFIT AND LOSS STATEMENT SUMMARY

In total we are still within budget expectation for the year. There are other budget components with minimum variance and if explanation is required from the owners we will be pleased to answer such requests.

4. BALANCE SHEET

We have reduced the number of bank accounts and we are left with 2 more to close which should take place in July. Transfers of the funds collected under the special assessment of \$675.00 were made in accordance with the budget representation. We still have to transfer to the reserve account \$4,785.00 from the amount collected and currently in the operating bank account. An amount of \$6,215.00 remains under collection for the special assessment.

On behalf of the Board of Directors, by Andre Mongrain, President

WATERSIDE FINANCIAL RESULT
FORECAST FOR THE YEAR
AS OF MAY-31, 2008

<u>DESCRIPTION</u>	<u>YTD 07/08</u>	<u>YTD 07/08</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>MONTHLY</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>BUDGET</u>	<u>VAR.</u>	<u>COST</u>
<u>REVENUE</u>								
NSF FEE	305	0	305	305	305	0	305	
100 ASSESSMENTS **	731,717	732,667	1,256,300	1,256,300	1,255,000	1,256,000	-1,000	275
102 LATE FEE INCOME	1,230	1,750	6,000	3,000	2,000	3,000	-1,000	
103 INTEREST INCOME	1,152	1,167	2,000	1,000	1,500	2,000	-500	
104 ESTOPPEL FEE	5,050	1,750	4,500	5,100	6,000	3,000	3,000	
105 REGISTRATION & PARKING	5,500	11,667	5,500	5,500	5,500	20,000	-14,500	
106 ACCESS/GATE CARDS	420	583	1,000	900	800	1,000	-200	
107 TRANSFER/SCREENING FEE	14,050	5,541	16,000	16,000	17,000	9,500	7,500	
108 MISCELLANEOUS INCOME	2,130	583	4,500	3,500	3,500	1,000	2,500	
BEGIN DIFF. & MISPOSTING						0	0	
TOTAL REVENUE	761,554	755,708	1,296,105	1,291,605	1,291,605	1,295,500	-3,895	282.73
<u>EXPENSES</u>								
<u>UTILITIES</u>								
200 ELECTRIC	27,531	23,333	45,000	45,000	46,000	40,000	6,000	9.12
201 WATER & SEWER	91,912	87,500	150,000	151,000	151,000	150,000	1,000	30.41
202 GARBAGE & RECYCLING	15,729	15,167	26,000	26,000	26,000	26,000	0	5.27
203 PROPANE GAS	29,585	20,417	35,000	38,000	39,000	35,000	4,000	7.09
204 CABLE T.V.	37,056	37,917	60,000	59,000	59,000	65,000	-6,000	12.17
205 TELEPHONE	5,775	5,833	9,000	8,500	8,500	10,000	-1,500	1.82
	207,588	190,167	325,000	327,500	329,500	326,000	3,500	65.89

<u>DESCRIPTION</u>	<u>YTD 07/08</u>	<u>YTD 07/08</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>MONTHLY</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>BUDGET</u>	<u>VAR.</u>	<u>COST</u>
<u>ADMINISTRATIVE</u>								
300 PAYROLL-ADMINISTRATIVE	81,356	67,083	124,925	127,000	127,000	115,000	12,000	25.14
301 PAYROLL-MAINTENANCE	44,895	57,167	75,000	71,000	71,000	98,000	-27,000	15.58
302 PAYROLL TAXES	11,783	12,250	21,000	21,000	21,000	21,000	0	4.26
302.1 EMPLOYEE BENEFITS	10,375	11,200	13,000	13,000	13,000	19,200	-6,200	3.65
303 PAYROLL SERVICE FEES	2,160	2,275	3,800	3,700	3,700	3,900	-200	0.77
304 SECURITY GUARDS	28,764	30,625	49,500	49,500	49,500	52,500	-3,000	10.24
305 ACCOUNTING	14,614	15,167	26,000	26,000	26,000	26,000	0	5.27
305.1 BANK FEES	300	1,750	1,500	1,500	1,500	3,000	-1,500	0.30
305.2 BAD DEBT	0	0	14,000	15,000	16,000	0	16,000	2.83
306 AUDITING	4,200	2,479	4,200	4,200	4,200	4,250	-50	0.85
307 LEGAL	20,225	5,833	25,000	26,000	26,000	10,000	16,000	4.87
308 PROPERTY TAX	2,292	1,458	2,300	2,300	2,300	2,500	-200	0.47
309 INCOME TAX	361	0	500	500	400	0	400	0.11
310 INSURANCE	166,727	168,350	284,483	284,000	284,000	288,600	-4,600	58.53
311 OFFICE SUPPLIES	3,569	4,958	7,500	7,000	7,000	8,500	-1,500	1.56
312 POSTAGE & SHIPPING	2,340	2,042	3,500	3,750	3,750	3,500	250	0.71
313 LICENSES	2,484	1,167	2,000	2,000	2,500	2,000	500	0.40
314 TRAVEL & MILEAGE	158	292	400	250	250	500	-250	0.08
315 MEETINGS & EDUCATION	275	583	500	500	500	1,000	-500	0.10
316 SCREENING	4,092	875	4,000	4,500	5,000	1,500	3,500	0.81
317 ALARM SYSTEM	159	292	500	500	500	500	0	0.10
318 COMPUTER REPAIR/SERVICE	1,434	1,400	2,900	2,900	2,700	2,400	300	0.60
319 COPIER	2,884	4,375	6,000	5,000	5,000	7,500	-2,500	1.21
320 MISCELLANEOUS ADMIN.EXP.	3,061	1,633	2,800	3,000	3,500	2,800	700	0.48
HURRICANE EXPENSE	0	0	0	0	0	0	0	0
	408,508	393,254	675,308	674,100	676,300	674,150	2,150	138.91

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	<u>ACTUAL</u>	<u>BUDGET</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>BUDGET</u>	<u>VAR.</u>	<u>COST</u>
<u>MAINTENANCE</u>								
400 GASOLINE	531	1,167	1,200	1,000	1,000	2,000	-1,000	0.24
401 SPRINKLERS	8,212	3,500	8,000	9,000	10,000	6,000	4,000	1.42
402 PEST CONTROL	10,832	11,667	20,000	20,000	19,000	20,000	-1,000	4.05
402.6 MISC. MAINT.EXP.	150	1,167	1,000	750	750	2,000	-1,250	0.20
403 LANDSCAPING	73,159	75,833	128,000	127,000	127,000	130,000	-3,000	26.35
404 TREE TRIMING	10,991	2,917	12,000	11,000	10,991	5,000	5,991	1.01
404.1 NEW TREES & BUSHES	430	5,833	1,000	1,000	1,000	10,000	-9,000	0.61
405 BUILDING MAINTENANCE	8,099	7,292	15,000	15,000	15,000	12,500	2,500	2.43
406 GROUNDS MAINTENANCE	1,241	1,750	3,000	3,000	3,000	3,000	0	0.60
407 SECURITY GATE EXPENSE	5,416	3,500	6,000	8,500	9,500	6,000	3,500	1.22
408 CAMERA & VIDEO EXP.	1,538	1,750	2,000	2,000	2,000	3,000	-1,000	0.40
409 PLUMBING EXP.	440	583	500	1,000	1,000	1,000	0	0.10
410 ELECTRICAL EXP.	3,385	2,917	6,000	6,000	6,000	5,000	1,000	1.22
411 POOL SUPPLIES & REPAIR	7,754	2,917	7,000	8,000	9,000	5,000	4,000	1.22
412 STREET MAINTENANCE	114	583	1,000	1,000	1,000	1,000	0	0.20
413 UNIFORMS	0	292	250	250	250	500	-250	0.05
414 GOLF CARTS	1,258	583	1,800	1,800	1,800	1,000	800	0.31
415 LOCKSMITH	106	583	500	400	400	1,000	-600	0.10
416 FIRE SAFETY	0	2,917	3,000	3,000	3,000	5,000	-2,000	0.61
417 JANITORIAL SUPPLIES	1,744	583	1,500	2,000	2,000	1,000	1,000	0.31
POSTAL STATION	0	20,708	25,000	25,000	25,000	35,500	-10,500	3.04
	135,400	149,042	243,750	246,700	248,691	255,500	-6,809	45.71
450 CONTINGENCY	896	10,996	14,108	10,000	5,000	18,850	-13,850	3.82
476 INTEREST EXPENSE	13,642	12,250	22,000	21,000	22,000	21,000	1,000	4.46
	14,539	23,246	36,108	31,000	27,000	39,850	-12,850	8.28
<u>GRAND TOTAL EXPENSES</u>	766,034	755,708	1,280,166	1,279,300	1,281,491	1,295,500	-14,009	
<u>NET INCOME (LOSS)</u>	-4,480	0	15,939	12,305	10,114	0	10,114	

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	<u>ACTUAL</u>	<u>BUDGET</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>BUDGET</u>	<u>VAR.</u>	<u>COST</u>
RESERVES								
ROOFS	14,583	14,583	25,000	25,000	25,000	25,000	0	5.07
PAINTING	2,917	2,917	5,000	5,000	5,000	5,000	0	1.01
ASPHALT	4,083	4,083	7,000	7,000	7,000	7,000	0	1.42
POOLS	16,333	16,333	28,000	28,000	28,000	28,000	0	5.68
AWNINGS	2,917	2,917	5,000	5,000	5,000	5,000	0	1.01
SPRINKLERS	17,500	17,500	30,000	30,000	30,000	30,000	0	6.08
							0	
	58,333	58,333	100,000	100,000	100,000	100,000	0	20.27

2007/2008 SPEC.ASSESSMENT

277,425

<u>DEBT REIMBURSEMENT</u>	205,500	205,500	205,500	205,500	205,500	205,500	0
<u>FUNDING OF RESERVE</u>	60,925	71,925	51,000	60,925	60,925	71,925	-11,000

Prepare 22-06-2008

** Excluding contribution to the reserve account.

COMMENTS ON THE OWNERS RECEIVABLE AS OF THE END OF MAY 2008

IN MAY WE WERE AGAIN ABLE TO IMPROVE ON OUR OUTSTANDING RECEIVABLES. WE ARE LEFT WITH ONLY 18 OWNERS WHO HAVE A PAYABLE BALANCE DUE TO OUR ASSOCIATION.

THANK YOU TO ALL OWNERS FOR YOUR TIMELY PAYMENTS ESPECIALLY THOSE IN A LEGAL OR FORECLOSURE STATUS THAT MADE A PAYMENT DURING THE MONTH, THIS IS GREATLY APPRECIATED. DANIEL AND STACEY WILL CONTINUE TO CALL ON THE OWNERS WITH AN OUTSTANDING BALANCE.

THREE OF THE REMAINING 18 UNITS WITH A BALANCE SHOULD BE CORRECTED IN JUNE. THESE BALANCES ARE RELATED TO THE TIMING OF THE CLOSING OF A SOLD UNIT. WE HAVE ALSO HAD SOME DIFFICULTIES WITH PRE AUTHORIZED PAYMENTS THAT WERE DRAWN ON A U.S. FUNDS CANADIAN BANK ACCOUNT. THE U.S. AND CANADIAN BANKING SYSTEMS HAVE SOME DIFFERENCES IN THEIR ROUTING AND ACCOUNT NUMBERS WHICH HAS CAUSED SOME OF THE PRE AUTHORIZED PAYMENTS NOT TO WORK. THESE ISSUES WITH THE BANK SYSTEMS SEEMED TO DEVELOP BACK IN JANUARY.

WE STRONGLY ENCOURAGE OWNERS TO USE THE PREAUTHORIZED PAYMENT PROCESS, AS IT SIMPLIFIES THE OFFICE PROCESS AS WELL AS YOUR OWN. YOU CAN ALSO BE SURE THAT YOUR PAYMENT WILL BE APPLIED ON TIME TO YOUR ACCOUNT.

WE CURRENTLY HAVE FOUR (4) ACCOUNTS IN LEGAL STATUS AND A THIRD (3) FORECLOSURE WAS INITIATED BY THE BANK DURING THE MONTH. ALL OF THE FORECLOSURES WERE INITIATED BY THE BANK.

STARTING IN APRIL, WE CALCULATE MONTHLY OUR RISK FOR BAD DEBT. ACCOUNTS IN A LEGAL OR FORECLOSURE STATUS ARE ANALYZED, WITH CONSIDERATION OF THE OWNERS PREVIOUS AGREEMENT TO PAY AND LEGAL COMMITMENT BEING TAKEN INTO ACCOUNT.

THANK YOU AGAIN TO ALL OWNERS AND TO THE OFFICE STAFF. PLEASE CALL STACEY AT 561-582-6765 FOR ANY ISSUES RELATED TO YOUR PAYMENT OR AMOUNT DUE.

ANDRE MONGRAIN, PRESIDENT

WATERSIDE ACCOUNTS RECEIVABLE BALANCE

TOTAL # OF OWNERS BROKEN DOWN BETWEEN LEGAL SITUATION AND REGULAR PAST DUE
AS OF JANUARY 31, 2008

<u>TYPE</u>	<u># OF OWNERS</u>	<u>\$600.00 assessment</u>	<u>\$675.00 assessment</u>	<u>late fee</u>	<u>regular assessment</u>	<u>shutter</u>	<u>total</u>	<u>RESERVE BAD DEBT</u>
LEGAL	7	3,000	4,725	1,795	21,288	2,250	33,058	
REGULAR	26	600	12,075	1,641	3,600	1,525	19,441	
	33	<u>3,600</u>	<u>16,800</u>	<u>3,436</u>	<u>24,888</u>	<u>3,775</u>	<u>52,499</u>	
#		6	26					

AS OF FEBRUARY 29, 2008

LEGAL	6	3,000	4,050	1,605	21,123	1,980	31,758	
REGULAR	27	0	9,845	2,145	8,155	2,075	22,220	
	33	<u>3,000</u>	<u>13,895</u>	<u>3,750</u>	<u>29,278</u>	<u>4,055</u>	<u>53,978</u>	
#		5	21					

AS OF MARCH 31, 2008

LEGAL	6	2,400	4,050	1,250	21,463	1,980	31,143	
REGULAR	23	0	6,745	2,235	8,950	1,860	19,790	
	29	<u>2,400</u>	<u>10,795</u>	<u>3,485</u>	<u>30,413</u>	<u>3,840</u>	<u>50,933</u>	
#		4	16					

AS OF APRIL 30, 2008

LEGAL	4	2,400	2,700	1,005	15,940	1,350	23,395	9,920
4CLOSURE	2	0	1,350	415	3,500	1,090	6,355	3,055
REGULAR	14	0	3,425	1,020	3,350	1,340	9,135	0
	20	<u>2,400</u>	<u>7,475</u>	<u>2,440</u>	<u>22,790</u>	<u>3,780</u>	<u>38,885</u>	<u>12,975</u>
#		3	11					

AS OF MAY 31, 2008

		<u>\$600.00 assessment</u>	<u>\$675.00 assessment</u>	<u>late fee</u>	<u>regular assessment</u>	<u>shutter</u>	<u>total</u>	<u>RESERVE BAD DEBT</u>
LEGAL	4	2,400	2,700	1,130	16,765	1,440	24,435	10,545
4CLOSURE	3	0	2,025	640	5,175	1,270	9,110	3,745
REGULAR	11	0	1,490	660	2,015	1,610	5,775	0
	18	<u>2,400</u>	<u>6,215</u>	<u>2,430</u>	<u>23,955</u>	<u>4,320</u>	<u>39,320</u>	<u>14,290</u>
#		3	9					