

**OCEAN EAST RESORT CLUB
BUDGET OVERVIEW AND
EXPLANATION OF THE PROPOSED
2010 BUDGET LINE ITEMS**

BUDGET OVERVIEW

The proposed Budget for 2010 provides funding for necessary increases in Resort Operations such as maintenance and housekeeping and recognizes economy driven reductions in rental and other income which are offset by reductions in insurance premiums, utility costs, office expenses and reserve funding. The net effect is a balance budget with no increase in maintenance fees for the third year in a row.

OWNERS SUPPORT

There is no increase in maintenance fees for 2010 under the proposed budget. Therefore the maintenance fees would remain:

Studio/Efficiencies	\$294.00
One Bedroom Deluxe	\$375.00
Two Bedroom Units	\$428.00

RENTAL INCOME

Represents income received from the unit owners Rental Pool, the Barnacles Restaurant Lease Agreement and the Beach Bucket Bar & Grill Lease Agreement. The 2010 Budget has been decreased to reflect the actual decline in rental pool revenues experienced this year.

OTHER INCOME

Includes fees received from the on site Real Estate Broker for sales office space and administrative support services, profit from the resale of foreclosed unit weeks, interest on operating funds and late fees. The 2010 Budget has been decreased to reflect the decrease in resale income and interest income experienced in 2009.

EMPLOYEE SALARIES

Includes wages for 67 employees (24 full-time and 42 part-time) in all departments (i.e. Resort Management, Business Office, Front Desk, Maintenance, Recreation, Housekeeping and Security). The budget freezes all employee wages at their current levels.

OTHER EMPLOYEE COSTS

Includes all Payroll Taxes (Social Security and Unemployment Insurance) as well as employee Medical and Dental Insurance and 401k Plan matching contributions.

UTILITIES

The Utilities Budget includes the cost of electric, water, sewer, refuse removal, gas, telephone and cable TV service. The savings from our ongoing conservation efforts and the successful conversion to heat pumps to heat the pool, hot tub and children's pool has resulted in a decrease in the budget for utility costs for next year.

MAINTENANCE

This represents all maintenance costs (except employee salaries) for the condominium units, common grounds, pool and Barnacles building. This includes equipment maintenance contracts, window cleaning, air conditioning, plumbing, electrical repairs, equipment repairs and supplies. Maintenance supplies include light bulbs, paint, batteries, tape, filters and repair parts for light fixtures, garbage disposals, dishwashers, telephones, refrigerators, faucets etc. The Budget has been increased for 2010 to reflect the rising cost of repairs to maintain our aging building and equipment.

HOUSEKEEPING

Includes the purchase of replacement linens, bath towels, beach towels and unit inventory of paper products and small appliances. It also includes cleaning supplies and laundry supplies for the annual "spring cleaning" in Maintenance Weeks, the weekly cleaning of all condominium units and common areas, and the washing and drying of all linen and towels. Housekeeping supplies include facial tissue, toilet paper, paper towels, hand soap, laundry soap, cleaning products, trash bags etc. The 2010 Budget has been increased to reflect actual costs experienced in 2009.

RECREATION

The Recreation Budget includes recreation supplies, equipment and prizes for programs run by our staff as well as outside entertainment such as bands, disc jockey, etc.

INSURANCE

Our insurance program includes a Package Policy providing property and general liability coverage, Flood Insurance and Windstorm Coverage. Our Umbrella Policy provides liability coverage over and above the Package Policy. The Association also carries Workers Compensation, Employers Liability, Employee Fidelity and Directors and Officers Insurance. Once again we have achieved a significant reduction in the insurance budget. The decrease can be attributed to our excellent safety record which resulted in a Workers Compensation dividend of about \$11,000 and to a 30% decrease in the package policy premiums.

LEGAL & ACCOUNTING

Includes the annual audit required by the State of Florida, tax return preparation and the retainer agreement with our general counsel. Negotiations have resulted in these services being provided at the same cost as last year.

MEMBERS AND DIRECTORS MEETINGS

This represents out of pocket expenses for Directors to attend Board and Committee Meetings (i.e. lunches, mileage reimbursements and room rental) as well as the annual meeting costs.

OFFICE SUPPLIES & POSTAGE

Includes newsletter printing and mailings, business licenses and permits, association letterhead, envelopes, envo-grams, computer supplies, copy paper and so forth. Also included is postage for assessment billings, collection notices and other correspondence.

OFFICE EQUIPMENT & SUPPORT

Includes office equipment leases, maintenance contracts, computer programming assistance, charge card processing fees, payroll processing fees, income taxes, help wanted ads and employee awards programs. The Budget decrease for 2010 reflects reductions achieved in credit card processing fees, computer support services and other office expenses as well as a decrease in income taxes paid on our declining investment income.

MANAGEMENT FEES

Ontario Management Corp., our Management Company, whose President is a Licensed Community Association Manager and a Certified Public Accountant is responsible for the supervision of resort operations, financial records, budget and financial planning, marketing and unit resales, maintenance fee billing, collection and paralegal services.

FLORIDA CONDOMINIUM FEES

Represents two dollars per unit week (\$2.00 X 5,814), as assessed by the State of Florida on all Timeshare Condominiums.

RESERVES

The primary purpose of the Reserve Fund is to maintain our property and by doing so maintain our vacation experience. The Reserve Fund provides for everything from the roof to the parking lot including all furnishings and equipment the continued strong condition of the reserve fund has allowed us to decrease reserve funding in the 2010 budget. Please see "The Reserve Analysis" provided in the newsletter and the Five-Year Reserve Plan for additional information.