

OCEAN EAST PRESIDENT'S REPORT ANNUAL MEETING 2009

It is my pleasure to report to you the major accomplishments & achievements at Ocean East during the first 10 months of 2009. Our operating priorities at the resort are: 1) Health & Safety; 2) Environment; 3) Facilities; 4) Quality & Service; 5) Cost; & 6) Productivity/Output.

Our **Health, Safety, & Environment** records are excellent. We have had **zero** reported environmental incidents year to date. We have had **zero** lost time accidents to Owners & Staff & we have had 14 minor accidents to owners, guests, & 1 minor to staff – mainly slips, trips, & minor cuts. Our Resort Manager Brenda Manning conducted 8 Health & Safety Meetings during the year. Actions resulting from these meetings include: lighting was increased on the south side of the resort, a railing was installed along the sidewalk to the south entrance, smoke detectors were all inspected & a smoke detector was installed in housekeeping, "No Skid" mats were added outside the sauna showers, staff were trained in case of hurricane & lightning storms, repairs were made to the lower level of the Beach Bucket deck & anti-drowning drain covers were installed in the pool, wading pool, & hot tub. Our excellent record of **zero** compensation claims in 2008 resulted in a rebate of \$11,750 & with an identical record year to date in 2009 we should again receive a significant rebate.

Our plan was to complete 18 **Facility (Reserve)** projects this year. To date 10 are complete, 1 is deferred, & 7 are ongoing or scheduled for completion primarily during our Maintenance Weeks in November. A handout titled "What's New in 2009" was provided to you detailing all of the projects & improvements made during 2009.

Our major facility projects have been 1) the completion of the concrete restoration project & building painting started in the 4th quarter of 2008. In addition, the south storage room windows were closed in to match the building décor & the roof top doors & deteriorating east side vent louvers were replaced. Our building exterior is now in good shape for at least the next 5 years.

2) Re-carpeting & re-decorating of both the Recreation Room & the Business Office to give both a new look.

3) Replacement of the decking on the front of Barnacle's Restaurant (our building) & re-landscaping, along with the current work to remove the covered walkway & decking on the north side of the building & replace it with a new wood deck, new insulated panel roof, & a new window. A new door will also be added to the front of the building. 4) Our most recent project now underway is the replacement of the Recreation Room roof, which we have attempted to repair unsuccessfully in the past.

Management continues to conduct Annual Inspections to identify units that require kitchen cabinets, vanity & mirror replacement, Murphy bed closet door repairs, & closet door repairs for completion during maintenance weeks or when units are vacant. This approach provides an ongoing higher level of quality within the resort as a whole rather than renovate on a floor-by-floor basis.

Both the RCI & Ocean East Comment Card Scores reported monthly closely track our **Quality & Service**. Our Owner scores remain in the 4.0 to 4.7 range out of a maximum of 5.0 in the various categories, indicating our owners are happy with the resort for the most part. The RCI scores improved from 2008 in all categories & I am pleased to report that RCI has confirmed that Ocean East will receive the RCI Hospitality Award this year, which we just missed last year. In June of this year, we previewed a complete unit remodeling proposal with a cost estimate of \$3 Million. From this, it was decided to proceed with the first segment of the proposal – the sitting area in the studios – the sofa bed & complimentary furniture. To that end, we have furnished one unit with a new sofa bed that is very comfortable, looks classy, has a memory mattress that yours truly had the opportunity to sleep on in September & found it very comfortable also. We are accumulating feedback from occupants before finalizing our decision to proceed with this new model.

On the **Cost** side – Our Management Team consisting of Managing Agent Michael Bader, Resort Manager Brenda Manning, & Business Manager Lisa Wesner have done an excellent job in controlling our Operating & Administrative costs. Current projections indicate that we will end up 2009 “on budget” on the cost side. However, our revenues are down approximately 1% primarily due to lower rental income.

We continue to reap the benefits from our Energy Efficiency Programs. The individual more efficient single unit air conditioners, with energy efficient thermostats that shut off when doors are left open, not only save us in utility costs but also in A/C replacement costs because of longer life. The high performance, energy efficient, virtually maintenance free heat pumps that were installed last fall are generating utility savings well in excess of our projections. These savings have helped to offset rising costs in other areas & afforded us the luxury of a 4th year with no increase in Maintenance Fees. Mike Bader will review the Budget in more detail during the Budget presentation. Management & the Board are currently looking at a Salt Chlorination System for our pool & hot tub. Preliminary indications are that this system can save us considerable money in chlorine tablets & have a good return on investment.

We continue to be very **Productive** with our web site as a means of communicating with our owners & interested parties. The site provides the ability to pay fees & taxes on line, as well as vote on line. It provides a complete listing of all units available for sale, our annual budget & budget overview, the 5 year plan, owner information letters, annual meeting results & the president's report, our news letter, special offers, meeting dates, & the latest Director Update & Status Report. This Status Report is prepared by management & details the progress on the various projects & activities at the resort.

We continue our practice of offering periodic “Specials” throughout the year in an effort to sell our Ocean East owned weeks, which this year unfortunately has risen significantly.

Written responses have been provided to all 23 owner letters received, asking

questions, providing suggestions, expressing appreciation, or raising a concern. Our employees are our most valuable asset & we continue to monitor our compensation & benefits package to ensure we are competitive. Shortly we will be recognizing 2 long service employees with a combined service of 20 years. Last year we recognized 3 employees with combined service of 55 years.

Looking ahead, the challenges facing the new board & management team remain unchanged – to continue to provide superior hospitality accommodation while dealing with the inherent issues in our aging facility. To meet these challenges we have established a Reserve Plan consisting of 17 projects totalling approximately \$262,000 combined with maintenance & housekeeping supplies of \$266,000 for a grand total of \$528,000. These monies are all earmarked to maintain/upgrade the resort, the amenities, & your individual units within the resort.

Are there any questions at this time?