

**OCEAN EAST RESORT CLUB
BUDGET OVERVIEW AND
EXPLANATION OF THE PROPOSED
2012 BUDGET LINE ITEMS**

BUDGET OVERVIEW

We are very pleased to report the Proposed Budget for 2012 does not increase maintenance fees for the sixth year in a row. The loss of revenue from week 53 and necessary increases in health care, payroll taxes, insurance and reserve funding were completely off set by increased rental income, resale revenues and reductions in operating expenses achieved in utilities, maintenance contracts, housekeeping expenses and employee salaries.

OWNERS SUPPORT

There is no increase in maintenance fees for 2012 under the proposed budget. Therefore the maintenance fees will remain:

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

Nevertheless, total owner support will decrease by approximately \$39,000 in 2012 because of the loss of week 53 revenues.

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 significant increase in rental income budgeted for 2012 reflects a cost of living increase in rental rates for both restaurants and an increase in unit rental activity.

OTHER INCOME

Includes fees received from the on site Real Estate Broker for the sales office space and administrative support services, profit from the resale of foreclosed unit weeks, interest income on operating funds and late fees. The 2012 Budget increase reflects a significant increase in resale activity experienced this year.

EMPLOYEE SALARIES

Includes wages for 62 employees (22 full-time and 40 part-time) in all departments (i.e. Resort Management, Business Office, Front Desk, Maintenance, Recreation, Housekeeping and Security). The reduction in the salaries budget for 2012 was achieved with only modest reductions in staff positions and staff hours. The budget does include an average wage increase of 3% for our employees next year.

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. The Budget increase for 2012 reflects increased rates for Florida unemployment insurance and higher premiums for employee health care.

UTILITIES

The Utilities Budget includes the cost of electric, water, sewer, refuse removal, gas, telephone and cable TV service. The 6% decrease in the utility budget for 2012 was made possible by savings from our ongoing energy conservation efforts, cost cutting modifications made to our telephone and cable TV service, and lower electric rates.

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 decreased for 2012 to reflect savings from competitive bidding of maintenance contracts and supplies.

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 2012 Budget has been decreased to reflect savings from competitive bidding of linen and housekeeping supplies.

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. The approximately 8% increase in the Insurance Budget for 2012 reflects lower dividends expected from Workers Compensation next year.

LEGAL & ACCOUNTING

Includes the annual audit required by the State of Florida, tax return preparation, the retainer agreement with our general counsel and outside legal services.

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. The 2012 budget was lowered to reflect reduced costs experienced in 2011.

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, credit card processing fees, payroll processing fees, income taxes, help wanted ads and employee awards programs.

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. The 2012 Budget reflects a 3% increase in accordance with the terms of the Management Agreement.

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 modest increase in reserve funding was necessary to continue the "condo renovation plan" announced last year. The three phase renovation program includes a new type sleeper sofa that increases comfort both as a couch and as a bed. In addition to the upgraded sleeper, the new furnishings will include upholstered chairs, ottoman coffee tables with casters, end tables and table lamps, floor lamps, dining room tables, and framed art work. Please see "The Reserve Analysis" provided in the newsletter and the Five-Year Reserve Plan for additional information.