

Palm Beach Shores Resort  
 Estimated Operating Budget  
 For the period: January 1, 2009 thru December 31, 2009  
 Total number of Unit Weeks: 13520

INCOME	Weekly	Monthly	Annual	Per Timeshare/ Week
Maintenance Fees	136,499	591,495	7,097,943	525.00
Other Income	5,769	25,000	300,000	22.19
Rental Income	4,815	20,000	240,000	17.75
Interest and Late Fee Income	1,790	7,755	93,059	6.88
<b>Total Income</b>	<b>148,873</b>	<b>644,250</b>	<b>7,731,002</b>	<b>571.82</b>
<b>Item of Expense</b>				
<b>I. Payroll, Taxes and Benefits:</b>				
Front Desk & Reservations	9,066	39,267	471,440	34.87
Housekeeping	15,891	68,880	826,320	61.12
Activities	3,547	15,369	184,430	13.64
Administration and Accounting	6,654	28,833	346,000	25.59
Maintenance	4,833	20,941	251,296	18.59
Payroll, Taxes and Benefits	8,947	38,769	465,224	34.41
	<u>48,937</u>	<u>212,059</u>	<u>2,544,710</u>	<u>188.22</u>
<b>II. Operating Expenses:</b>				
Laundry, linen & cleaning supplies	2,019	8,750	105,000	7.77
Uniforms	96	417	5,000	0.37
Operating and guest supplies	2,885	12,500	150,000	11.09
Service charges and bad debt	12,258	53,118	637,417	47.15
Maintenance expenses	6,058	26,250	315,000	23.30
Maintenance contracts	654	2,833	34,000	2.51
Computer Services & Maintenance	1,442	6,250	75,000	5.55
Capital Leases	1,173	5,083	61,000	4.51
	<u>26,585</u>	<u>115,201</u>	<u>1,382,417</u>	<u>102.25</u>
<b>III. General and Administrative expense:</b>				
Telephone	865	3,750	45,000	3.33
Office supplies & printing	2,865	12,500	150,000	11.09
Postage and shipping	982	4,167	50,000	3.70
Audit fees & tax preparation	231	1,000	12,000	0.89
Professional/Accounting fees	923	4,000	48,000	3.55
Billing and collection	1,250	5,417	65,000	4.81
	<u>7,115</u>	<u>30,833</u>	<u>370,000</u>	<u>27.37</u>
<b>IV. Rent for recreational and other commonly used facilities</b>				
	N/A	N/A	N/A	N/A
Real Estate Taxes upon Association property will be separately assessed after the Association receives the 2007 tax bill from the Palm Beach				
<b>V. County Tax Collector</b>				
	N/A	N/A	N/A	N/A
<b>VI. Taxes upon leased areas</b>				
	N/A	N/A	N/A	N/A
<b>VII. Utilities</b>				
Electricity	8,744	37,889	454,663	33.63
Cable Television	879	3,810	45,720	3.38
Fuel	2,278	9,870	118,437	8.76
Water	3,632	15,739	188,867	13.97
Waste Removal	546	2,374	28,485	2.11
	<u>16,080</u>	<u>69,681</u>	<u>836,172</u>	<u>61.85</u>
<b>VIII. Insurance (see attached letter)</b>				
	14,066	60,955	731,454	54.10
<b>IX. Fees due to Division of Timeshare</b>				
	520	2,253	27,040	2.00
<b>X. Management Fees</b>				
	17,465	75,680	908,156	67.17
<b>XI. Security</b>				
	2,500	10,833	130,000	9.62
<b>XII. Operating capital</b>				
	0.00	0.00	0.00	0.00
<b>XIII. Estimated expenses for the unit owner</b>				
Rent for the unit, if leased	N/A	N/A	N/A	N/A
Rent payable by the unit owner	N/A	N/A	N/A	N/A
<b>Total Expenses</b>	<u>133,268</u>	<u>577,496</u>	<u>6,929,949</u>	<u>512.57</u>
<b>Reserves (see schedule attached)</b>	<u>15,405</u>	<u>66,754</u>	<u>801,053</u>	<u>59.25</u>
<b>Total Expenses Including Reserves</b>	<u>148,673</u>	<u>644,250</u>	<u>7,731,002</u>	<u>571.82</u>
<b>Maintenance Fees per week</b>				<b>\$ 525.00</b>

Supplementary Information  
Schedule of Capital Expenditures and Deferred Maintenance Funding

	Estimated Useful Life (in years)	Estimated Remaining Useful Life (in years)	Estimated Future Replacement Cost (260 Units)	Amount Reserved Under this Budget	Estimated Fund Balance @ 01/01/2008	
Roof	15	13	424,000	26,945	73,721	
Fireproofing and fire protection system	40	35	286,044	6,782	48,660	
Plumbing	20	15	494,076	22,586	155,283	
Heating and cooling systems	10	8	780,120	71,195	210,558	
Electrical systems	20	15	468,072	21,035	152,542	
Pavement and parking areas	10	5	33,791	2,422	21,679	
Drainage systems	40	35	25,000	557	5,519	
Swimming Pool	20	4	149,169	21,513	63,117	
Elevators	40	35	288,000	7,640	20,630	
F F & E - Units	15	9	3,500,000	410,386	(193,472)	
F F & E - Common Areas	15	6	786,940	94,703	218,722	
Exterior painting	15	3	150,000	39,630	31,112	
Common Area Expenses			Various	75,659	0.00	
				7,385,212	801,053	808,071

NOTES

As of December 31, 2007, there were the following notes in the audited financial statements which disclose related party transactions:

COMMITMENTS

The Time Share Resort has entered into a three-year management agreement on June 19, 1997 with a management company. The agreement automatically renews for three-year periods, unless either party notifies the other in writing at least 60 days prior to the end of any three-year period of its intention not to renew. By a vote by the condominium owners pursuant to the provisions of the condominium or timeshare act or by written notice from the management company, as defined in the management agreement. The management was assigned to a new Developer on August 27, 1999, under the same terms as the management agreement entered into on June 19, 1997. The management agreement was automatically renewed on June 19, 2007 for three more years.

The agreement requires the Time Share Resort to pay the management company 15% of the budget maintenance fees exclusive of the management fee expense, the management fee for 2007 was \$828,336.

The management company was paid monies by the unit owners that belonged to the Association. These monies were reimbursed in full to the Association by January 31, 2008.

BUDGET

The Association contracted with Dreux Isaac and Associates, Inc. to prepare a Reserve Study for the 2009 Budget. The results were as follows:

SUMMARY OF RECOMMENDATIONS & FINDINGS	
Current Annual Reserve Funding Contribution Amount	\$ 725,394
Recommended 2009 Reserve Funding Contribution Amount	\$ 801,053
Recommended 2009 Planned Special Assessment Amount	\$ -
Total 2009 Reserve Funding and Planned Special Assessment Amount	\$ 801,053
Increase between Current & Recommended Contribution Amounts	\$ 75,659
Increase between Current & Recommended Contribution Amounts	10.43%

NOTICE

A BOARD OF DIRECTORS MEETING WILL BE HELD OCTOBER 2008 AT PALM BEACH SHORES RESORT, THE PURPOSE OF THIS MEETING IS TO CONSIDER AND VOTE UPON THE PROPOSED 2009 BUDGET