

COMMENTS ON FINANCIAL RESULTS AND FORECAST FOR THE FULL YEAR 2008

AUGUST 31, 2008

Owners, please find attached the financial results as of August 31, 2008 or ten months into the current fiscal year. As usual this statement includes the cumulative results compared to the budget after 10 months and a series of forecasts for the total year compared to the budget for the year. It also shows the previous two total-year forecasts for reference in order to see the evolution over three forecasts.

We are getting close to the finish line for the current financial year exercise, and it is becoming more and more precise. You will be in a position to see that we are benefiting positively from previous cost reduction, and that we are investing in projects that will benefit the whole community.

These forecasts are produced on a monthly basis in order to determine our total year expectation. As you can see these forecasts change from month to month. As soon as we have a change in trend or a decision to allocate funds to a different type of expense due to a management decision or an emergency, the forecast is then updated. There are significant changes that took place with the current forecast, and they are explained.

1. BALANCE SHEET

The balance is now easier to read compared to the last year end. Funding of the reserve is done on a monthly basis. Non-necessary bank accounts are now closed, with the exception of one with Desjardins Bank that cannot be closed due to the loan for the shutters. As soon as the shutters debt is paid, then it will be closed. No payments are issued out of that account. We still have a balance of \$6,215.00 to be transferred to the reserve account as soon as the delinquent owners pay their due on the 2007/2008 special assessment.

We are pleased to report that for the first month-end closing in over 30 months, the cash-on-hand exceeds the prepaid assessments from the owners. This positive situation will not last, as we are finally investing in completing the postal station, the sidewalk repair, and the electrical project to feed our gate system from the generator, in order to improve security at Waterside when we lose power.

This positive situation does not include our insurance claim file that was agreed by the insurer for an amount of \$5,400.00, related to a power surge that did some damage to the equipment on our gate system. Thanks to Daniel and our insurance broker for the file they had to put up to justify the claim.

From the reserve accounts we have used \$3,700.00 to pay for the cement slabs at the retention pond, \$17,657.20 for the sprinkler, and will be using about \$30,000.00 for the painting program, and some funds for the asphalt, an amount yet to be determined.

As mentioned, the remaining difficulty with the balance sheet is the working capital situation. Back in the early days of Waterside, original owners contributed a total of \$78,040.00 under a special

assessment at the time. Since then, these funds were used in 2005, 2006 and 2007, and this situation will be addressed as part of the 2008/2009 budget.

The situation with the receivable is a disturbing one; please review the specific report on this subject. We will inform the owners when some of the foreclosure procedures initiated by banks and mortgage companies move ahead.

2. PROFIT AND LOSS

2.1. REVENUE

On the revenue side of the financial result, we are totally within budget with limited variance on each component. We can see a reduction in the level of sale activities, but there are still a lot of visitors inquiring about Waterside, which is a positive sign.

The interest income is now producing greater revenue and should continue to do so in the future. We now have a money market account for the reserve account. We have to remember that all revenue accounts are recorded when billed to an owner, not when it is collected from the owners. That's the reason we need to create a reserve for bad debt on owners' dues, as we cannot spend what is not collected.

2.2. EXPENSES

2.2.1. TREND REVISED DOWNWARD

We reviewed the downward trend on legal costs from \$24,000 to \$19,500.00. We still have to remember that close to \$8,000 of that forecast really belongs to the previous year. We do a limited use of legal services, and contact with the legal firm needs an authorization from the President. Daniel and I had a meeting with our legal firm on September 15 to make a review of all open files, and other than collection issues, there is nothing going on.

We also reduced the trend on propane gas from \$35,000 to \$33,500. We continue to monitor closely this cost item. Your Board is very close to making a final decision on the conversion from the propane gas system to a heat pump system for our pools and spa. We are currently analyzing the proposal.

As we are getting close to year end, the need for a contingency forecast is less required, and we can now even say that we will be in positive territory as far as this account is concerned. This was the result of a year-end accrual for a litigation that was settled for less and that the owners involved (with the exception of four) paid their due on the settlement that was reached.

We reduced our maintenance payroll cost to reflect the actual salary paid to a new employee. Also, we reduced employee benefits when we found that back in April we were paying the wrong rate for the past 2 years on our mandatory worker compensation insurance. After an audit from Workers Compensation, they agreed to reimburse \$2,300.00 to Waterside over time. I can assure you that Daniel is monitoring the payroll report every week to make sure no error happens on that heading.

2.2.2. TREND REVISED UPWARD

We have increased our garbage and recycling cost from 26,500.00 to 29,000.00. This may not be the end for the future years. This is the result of an increase in fees from the Town of Hypoluxo that took place in August. By the way, they are talking about an additional increase in October. This may force Waterside to reconsider its recycling policy, as this is not a legal obligation, but it is costing close to \$10,000.00 a year in fee. This item will be discussed at a next Board meeting.

We have increased our forecast for bad debt to \$20,000.00. This is a first for Waterside to forecast losses on regular or special assessments. The reason for the increase relates to the fact that 2 of the legal cases are now foreclosures, and the rules on foreclosures are quite different. Please review the comments on receivables to find more on this subject.

We also increased the cable TV by \$1,000 due to a major repair required following Hurricane Fay that did water damage to the antenna reception circuits.

We increased the cost of the postal station by a further \$1,750.00 to \$37,750.00. The agreement with the lowest bidder was signed on September 15, 2008. They are currently planning their work schedule and finalizing the permit requirement with the Town following the finalization of the architect's drawing. Finally we will see this project completed, and thanks to the intervention of one of our owners, the postal authorities have agreed to change the complete postal boxes at their cost. Our only obligation is to complete our end first. It is a very large structure of 24 feet by 30 feet that with the club house, will be the central point of Waterside.

We increased our landscape forecast in order to maintain our site in top shape. This summer we invested in some flowers and extra maintenance, which we believe the permanent residents, can appreciate. The site is quite nice.

Significant increase in the forecast covers the electrical expenses which were increased by \$4,000.00 to cover the gate's electrical emergency feed.

The most important increase is the grounds maintenance from \$6,000.00 to \$ 15,000.00; as we did sign a contract for our sidewalk repairs. This was a long-time required project, and over 2,000 square feet of sidewalk are currently being repaired. Here again, a permit is required, and at the same time, we are correcting some situations that are not in accordance with regulation. It was a must, and this will be done for many years to come to prevent insurance claims.

3. TOTAL RESULT

We are still maintaining a positive result for the year of \$1,319.00 but this required a close monitoring of all expenses with limited room for errors in the last 2 months of the year. We have to remember that the ultimate objective of the Association is to be on a break-even position for cash required elements. We are also benefiting from the expenses reduction that continue to take place on a daily

basis since January, and those savings are invested on items that will reduce costs in the future or improve the quality of our investment at Waterside.

If you have any questions on this report, please ask them under the official website of Waterside, under the heading “Ask the President” and we will be pleased to answer all of them.

On behalf of the Board of Directors,

Andre Mongrain, President.

September 17, 2008

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

<u>DESCRIPTION</u>	<u>YTD 08/08</u>	<u>YTD 08/08</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</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	330	0	305	305	330	0	330	
100 ASSESSMENTS **	1,044,967	1,046,666	1,255,000	1,255,000	1,255,000	1,256,000	-1,000	275
102 LATE FEE INCOME	3,955	2,500	2,000	3,000	4,000	3,000	1,000	
103 INTEREST INCOME	2,557	1,667	3,200	3,200	3,300	2,000	1,300	
104 ESTOPPEL FEE	5,950	2,500	6,000	6,000	6,250	3,000	3,250	
105 REGISTRATION & PARKING	5,500	16,667	5,500	5,500	5,500	20,000	-14,500	
106 ACCESS/GATE CARDS	470	833	700	500	500	1,000	-500	
107 TRANSFER/SCREENING FEE	17,450	7,917	19,000	19,000	19,000	9,500	9,500	
108 MISCELLANEOUS INCOME	2,461	833	2,600	2,600	2,600	1,000	1,600	
BEGIN DIFF. & MISPOSTING	0	0	0	0	0	0	0	
TOTAL REVENUE	1,083,640	1,079,583	1,294,305	1,295,105	1,296,480	1,295,500	980	282.73
<u>EXPENSES</u>								
<u>UTILITIES</u>								
200 ELECTRIC	37,944	33,334	46,000	45,500	45,000	40,000	5,000	9.12
201 WATER & SEWER	124,359	125,000	146,500	146,500	145,000	150,000	-5,000	30.41
202 GARBAGE & RECYCLING	23,797	21,667	26,000	26,500	29,000	26,000	3,000	5.27
203 PROPANE GAS	31,312	29,167	36,000	35,000	33,500	35,000	-1,500	7.09
204 CABLE T.V.	51,318	54,166	59,500	59,500	60,500	65,000	-4,500	12.17
205 TELEPHONE	8,326	8,333	9,000	9,500	9,500	10,000	-500	1.82
	277,056	271,667	323,000	322,500	322,500	326,000	-3,500	65.89

<u>DESCRIPTION</u>	<u>YTD 08/08</u>	<u>YTD 08/08</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</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>
ADMINISTRATIVE								
300 PAYROLL-ADMINISTRATIVE	108,350	95,833	125,000	126,000	126,000	115,000	11,000	25.14
301 PAYROLL-MAINTENANCE	58,551	81,667	70,000	70,000	68,000	98,000	-30,000	15.58
302 PAYROLL TAXES	15,130	17,500	19,000	18,500	17,200	21,000	-3,800	4.26
302.1 EMPLOYEE BENEFITS	12,406	16,000	14,900	14,900	12,500	19,200	-6,700	3.65
303 PAYROLL SERVICE FEES	3,011	3,250	3,600	3,600	3,600	3,900	-300	0.77
304 SECURITY GUARDS	43,453	43,750	49,500	50,500	50,500	52,500	-2,000	10.24
305 ACCOUNTING	20,502	21,667	25,500	25,500	24,500	26,000	-1,500	5.27
305.1 BANK FEES	471	2,500	1,000	1,000	750	3,000	-2,250	0.30
305.2 BAD DEBT	0	0	17,000	18,000	20,000	0	20,000	2.83
306 AUDITING	4,200	3,542	4,200	4,200	4,200	4,250	-50	0.85
307 LEGAL	21,716	8,333	26,000	24,000	19,500	10,000	9,500	4.87
308 PROPERTY TAX	2,292	2,083	2,300	2,300	2,292	2,500	-208	0.47
309 INCOME TAX	361	0	400	400	361	0	361	0.11
310 INSURANCE	236,519	240,500	284,000	284,850	284,850	288,600	-3,750	58.53
311 OFFICE SUPPLIES	4,917	7,083	6,800	6,800	6,500	8,500	-2,000	1.56
312 POSTAGE & SHIPPING	2,732	2,917	3,750	3,750	3,750	3,500	250	0.71
313 LICENSES	2,484	1,667	2,500	2,500	2,484	2,000	484	0.40
314 TRAVEL & MILEAGE	355	417	350	350	400	500	-100	0.08
315 MEETINGS & EDUCATION	275	833	500	275	275	1,000	-725	0.10
316 SCREENING	5,419	1,250	5,500	5,700	6,000	1,500	4,500	0.81
317 ALARM SYSTEM	239	417	500	500	500	500	0	0.10
318 COMPUTER REPAIR/SERVICE	1,434	2,000	2,400	2,400	2,000	2,400	-400	0.60
319 COPIER	3,410	6,250	4,500	4,500	4,500	7,500	-3,000	1.21
320 MISCELLANEOUS ADMIN.EXP.	3,639	2,333	3,500	4,200	4,200	2,800	1,400	0.48
HURRICANE EXPENSE	0	0	0	0	0	0	0	0
	551,866	561,792	672,700	674,725	664,862	674,150	-9,288	138.91

<u>DESCRIPTION</u>	<u>YTD 08/08</u>	<u>YTD 08/08</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</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>MAINTENANCE</u>								
400 GASOLINE	733	1,667	1,000	1,000	1,000	2,000	-1,000	0.24
401 SPRINKLERS	10,093	5,000	10,000	11,000	11,500	6,000	5,500	1.42
402 PEST CONTROL	18,546	16,667	20,000	20,000	20,500	20,000	500	4.05
402.6 MISC. MAINT.EXP.	224	1,666	500	500	300	2,000	-1,700	0.20
403 LANDSCAPING	110,850	108,333	127,000	128,000	131,000	130,000	-1,000	26.35
404 TREE TRIMING	10,991	4,167	10,991	10,991	10,991	5,000	5,991	1.01
404.1 NEW TREES & BUSHES	430	8,333	1,000	1,000	1,000	10,000	-9,000	0.61
405 BUILDING MAINTENANCE	11,093	10,417	15,000	15,000	14,000	12,500	1,500	2.43
406 GROUNDS MAINTENANCE	1,638	2,500	5,000	6,000	15,500	3,000	12,500	0.60
407 SECURITY GATE EXPENSE	11,366	5,000	10,000	10,000	10,000	6,000	4,000	1.22
408 CAMERA & VIDEO EXP.	1,788	2,500	2,000	2,500	2,500	3,000	-500	0.40
409 PLUMBING EXP.	636	833	1,000	1,000	1,000	1,000	0	0.10
410 ELECTRICAL EXP.	3,396	4,167	6,000	5,000	9,000	5,000	4,000	1.22
411 POOL SUPPLIES & REPAIR	11,727	4,167	10,000	12,000	12,500	5,000	7,500	1.22
412 STREET MAINTENANCE	114	833	1,000	1,000	500	1,000	-500	0.20
413 UNIFORMS	257	417	250	250	257	500	-243	0.05
414 GOLF CARTS	1,884	833	2,000	2,200	2,200	1,000	1,200	0.31
415 LOCKSMITH	127	833	400	400	200	1,000	-800	0.10
416 FIRE SAFETY	5,301	4,167	5,301	5,301	5,301	5,000	301	0.61
417 JANITORIAL SUPPLIES	1,951	833	2,400	2,400	2,400	1,000	1,400	0.31
POSTAL STATION	2,921	29,583	35,000	36,000	37,750	35,500	2,250	3.04
	206,066	212,916	265,842	271,542	289,399	255,500	33,899	45.71
450 CONTINGENCY	896	15,708	5,000	1,000	-1,000	18,850	-19,850	3.82
476 INTEREST EXPENSE	17,169	17,500	22,000	20,000	19,400	21,000	-1,600	4.46
	18,065	33,208	27,000	21,000	18,400	39,850	-21,450	8.28
<u>GRAND TOTAL EXPENSES</u>	1,053,054	1,079,583	1,282,542	1,288,767	1,295,161	1,295,500	-339	
<u>NET INCOME (LOSS)</u>	30,586	0	11,763	6,338	1,319	0	1,319	

<u>DESCRIPTION</u>	<u>YTD 08/08</u>	<u>YTD 08/08</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</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>RESERVES</u>								
ROOFS	20,833	20,833	25,000	25,000	25,000	25,000	0	5.07
PAINTING	4,167	4,167	5,000	5,000	5,000	5,000	0	1.01
ASPHALT	5,833	5,833	7,000	7,000	7,000	7,000	0	1.42
POOLS	23,333	23,333	28,000	28,000	28,000	28,000	0	5.68
AWNINGS	4,167	4,167	5,000	5,000	5,000	5,000	0	1.01
SPRINKLERS	25,000	25,000	30,000	30,000	30,000	30,000	0	6.08
							0	
	83,333	83,333	100,000	100,000	100,000	100,000	0	20.27

2007/2008 SPEC.ASSESSMENT

277,425

<u>DEBT REIMBURSMENT</u>	205,500	205,500	205,500	205,500	205,500	205,500	0
<u>FUNDING OF RESERVE</u>	65,710	71,925	65,710	65,710	65,710	71,925	-6,215

Prepare

16-Sep-08

** Excluding contribution to the reserve account.

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

Please refer to the accounting report that supports this summary of the receivables position as of the end of August 2008. This month we can see an increase in the number of owners that are late in their payment; it is up to 21 from 18 last month. The greatest concern to the Board is that two owners that were under legal proceeding are now under foreclosure. We have experienced deterioration in the dollar figure from \$43,565.00 to \$48,065.00 and that is what counts for our bank and for all owners that pay their due. It is becoming a real stress on our ability to finance projects that are required for the future of Waterside. Remember that for the first time, we will create a reserve for bad debt, and this is equivalent to money that cannot be spent on planned or required projects.

We will pursue under the full extent of the law, a series of legal actions in the foreclosure cases. We have some rights and we will protect them. The two remaining accounts that are under legal status are making commitments to pay their balances to the Association and we want to thank them.

As for foreclosures, two out of the five are making payments and we want to thank them as well. In the other foreclosure situations, those owners are not making any payment or commitment of payment. This is where the Association will make sure that our rights are protected under the foreclosure process. We will keep owners posted on the development of those situations and inform you of when the sales process will take place. You may have some interest in bidding at the foreclosure session or to refer this to one of your acquaintances, that might be interested in making an investment in a condo at Waterside.

We have to remember that the housing market in the United States is not an easy one. There are a lot of properties on the market, prices are generally coming down, units under foreclosure are up and owners that are late in their mortgage payments are also up. As of the end of June 2008, 9% of all US properties are under foreclosure, and we have the impression that this bad statistic will continue to go up. When we look at Waterside we are in a favorable position compared to the general statistic, but this is still not acceptable.

95% of owners that had a credit balance in the month of July received a detailed statement of their balance, so they were able to reconcile their own records.

Daniel and I will be meeting with the legal firm on Monday, September 15, 2008 to review the actual legal cases, the foreclosure options for the Association and to transfer more accounts to legal action. We have the responsibility to ensure that the assets of Waterside are protected and the accounts receivable is an important asset.

To the owners that are on a prepaid payment practice, those who use a preauthorized bank payment, or those that pay in due time on a monthly basis, we say "THANKS." To the others, we hope that you will make a special effort this month.

For your Board of Directors, Andre Mongrain, President

WATERSIDE ACCOUNTS RECEIVABLE BALANCE

TOTAL # OF OWNERS BROKEN DOWN BETWEEN LEGAL SITUATION AND REGULAR PAST DUE

<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>
<u>AS OF JANUARY 31, 2008</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	
		<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					
<u>AS OF FREBRUARY 29, 2008</u>								
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>	
<u>AS OF MARCH 31, 2008</u>								
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>	
<u>AS OF APRIL 30, 2008</u>								
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>
<u>AS OF MAY 31, 2008</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>
	#	4	9					
<u>AS OF JUNE 30, 2008</u>								
LEGAL	4	2,400	2,700	1,255	17,835	1,530	25,720	11,120
4CLOSURE	3	0	2,025	715	5,300	1,450	9,490	4,540
REGULAR	14	0	1,490	985	2,234	2,150	6,859	0
	21	<u>2,400</u>	<u>6,215</u>	<u>2,955</u>	<u>25,369</u>	<u>5,130</u>	<u>42,069</u>	<u>15,660</u>
	#	4	9					
<u>AS OF JULY 31,2008</u>								
LEGAL	4	2,400	2,700	980	17,965	1,620	25,665	11,065
4CLOSURE	3	0	2,025	840	6,125	1,630	10,620	5,670
REGULAR	11	0	1,415	1,060	2,345	2,460	7,280	0
	18	<u>2,400</u>	<u>6,140</u>	<u>2,880</u>	<u>26,435</u>	<u>5,710</u>	<u>43,565</u>	<u>16,735</u>
	#	4	9					
<u>AS OF AUGUST 31, 2008</u>								
<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	2	1,200	1,350	625	6,385	1,800	11,360	0
4CLOSURE	5	1,200	3,990	1,835	17,775	2,270	27,070	18,820
REGULAR	14	0	800	920	5,750	2,165	9,635	315
	21	<u>2,400</u>	<u>6,140</u>	<u>3,380</u>	<u>29,910</u>	<u>6,235</u>	<u>48,065</u>	<u>19,135</u>
	#	4	9					