

OCEAN FOREST COLONY PRESIDENT'S MESSAGE

The Board of Directors met on October 21st to review and approve the 2007 Operating and Reserve budgets. As always, the budget process is a lengthy discussion about maintaining and improving the resort while preparing for future major repairs and replacements and keeping costs at a reasonable level. We approved an increase of 6.7% in Maintenance Fees, which brings our 2007 Maintenance Fee to \$480.00 per unit/week.

The primary factors in the Operating expense increases of \$17,997.00 were:

- 1) Utility Expenses - Up 1.6% with rates leveling off.
- 2) Housekeeping - Up 7.9% with higher labor and occupancy.
- 3) Maintenance - Up 3.4% with higher supplies and labor costs.
- 4) Administrative & General - Up 6.0% in Management and Accounting cost increases.
- 5) Leases and Fixed Expenses - Up 16.9% with Insurance Premiums increasing after the Building Value increased from \$900,000 to \$1.4 Million in a recent insurable loss re-evaluation.

In addition to the above noted expenditures that had a primary influence, the following budgeted line item made up the balance of the increased fee:

- Reserve For Replacement - Increased funding by 4.7%, or by an additional \$1,422 above 2006 funding requirements. This was based on current known reserve analysis figures used to allocate funds for "future major repairs & replacement" within the association, such as roofs, exterior painting & wood-rot, paving, swimming pool renovations, major appliance, interior furnishings, accessories & carpet, etc.

We have scheduled the following Reserve expenditures for 2007, which will amount to about \$11,518.00.

- 1) Reseal and strip the Parking Lot (2007 spring project).
- 2) Continuation of replacement of Air Conditioning units, as required.
- 3) Continuation of replacement of Major Kitchen Appliances with two (2) units scheduled.
- 4) Annual allowance for breakage/replacement of television, hot-water heaters, etc.

Your Board of Directors, Management and Staff at Ocean Forest Colony look forward to seeing you on your next trip to Myrtle Beach and wish each of you a happy and safe holiday season.

William Sheltman, President - Board of Directors

[2007 Budget is Printed On The Reverse Side of This Letter]

Ocean Forest Colony				
2007 APPROVED OPERATING BUDGET				
<i>10/21/06 Board of Directors Meeting</i>	<i>2006</i>	<i>2007 Budget</i>	<i>2007</i>	
	<i>Approved</i>	<i>Over (Under)</i>	<i>Approved</i>	<i>%</i>
	<i>Budget</i>	<i>2006 Budget</i>	<i>Budget</i>	<i>Change</i>
REVENUES				
Maintenance Fees-Current	\$ 249,236	\$ 15,379	\$ 264,615	6%
Maintenance Fees-Prior Years	\$ 2,750	\$ 1,250	\$ 4,000	45%
Late Charge	\$ 2,200	\$ 100	\$ 2,300	5%
Interest - Delinquent Fees	\$ 750	\$ -	\$ 750	0%
Vending	\$ 325	\$ (25)	\$ 300	-8%
Rental Commission	\$ 400	\$ -	\$ 400	0%
HOA Rentals	\$ 500	\$ -	\$ 500	0%
Flex Fee Revenue	\$ 650	\$ (340)	\$ 310	-52%
Bank Interest	\$ 750	\$ 1,250	\$ 2,000	167%
Miscellaneous	\$ 200	\$ -	\$ 200	0%
Sale of HOA Weeks	\$ 750	\$ -	\$ 750	0%
Total Operating Revenue	\$ 258,511	\$ 17,614	\$ 276,125	6%
Less - Transfers to Reserve for Replacement	\$ (30,000)	\$ (1,422)	\$ (31,422)	5%
Less - Deficit Reduction	\$ (8,205)	\$ 1,805	\$ (6,400)	-22%
Net Operating Revenue	\$ 220,306	\$ 17,997	\$ 238,303	4%
EXPENSES				
Total Utility Expense	\$ 28,892	\$ 456	\$ 29,348	5%
Total Housekeeping	\$ 51,650	\$ 4,075	\$ 55,725	0%
Total Maintenance	\$ 34,320	\$ 1,166	\$ 35,486	0%
Total Administrative & General	\$ 51,058	\$ 3,088	\$ 54,146	0%
Total Leases & Fixed Expense	\$ 54,385	\$ 9,213	\$ 63,598	13%
Total Operating Expense	\$ 220,306	\$ 17,997	\$ 238,303	8%
Net Surplus (Deficit)	\$ (0)	\$ (0)	\$ -	
	<i>2006 Fee</i>	<i>Increase</i>	<i>2007 Fee</i>	
	\$450	6.7%	\$480	