

Your beach home budget

- **predictable**
- **worry-free**
- **affordable**
- **comprehensive**
- **maintains your investment**
- **always ready for you**

A key ingredient to the Fractional Vacation Home Ownership program's success is the annual beach home operating and maintenance budget which we develop for each beach home. This budget is the basis for sound operation and upkeep of your vacation investment. Since each share is only 1/12th of the total, even a large beach home is surprisingly reasonable, as is demonstrated in the budgets below.

Every detail is worked out before the start of each year, so you know precisely what to expect... and you can be confident that your coastal NC real estate investment will be protected with a well-funded, thorough maintenance program.

Sandpiper

9931 Louise Howard Court

Income and Loss Statement

| | YEAR 2005 1/1 - 12/31 | YEAR 2006 1/1 - 12/31 | YEAR 2007 1/1 - 12/31* <i>*- forecast</i> |
|--|--------------------------|--------------------------|---|
| Rents Received | \$ 96,292.00 | \$ 93,839.24 | \$ 93,647.90* |
| Commissions | \$ 14,407.56 | \$ 11,769.94 | \$ 14,497.05* |
| Net Receipts | \$ 81,884.44 | \$ 82,069.30 | \$ 79,150.85* |
| Common Rental Income <i>(rental of 2-4 Common Weeks)</i> | | | \$ 2,500.00** |
| Operating Expenses | | | |
| Utilities | | | |
| Cable + Internet | \$ 1,142.52 | \$ 1,185.44 | \$ 872.64 |
| Phone | \$ 310.15 | \$ 322.46 | \$ 324.00 |
| Water | \$ 422.52 | \$ 362.72 | \$ 545.00 |
| Electricity | \$ 3,521.00 | \$ 3,617.00 | \$ 3,617.00 |
| Housekeeping | \$ 2,175.00 | \$ 3,300.00 | \$ 3,150.00 |
| Maintenance | | | |
| Garbage Collection | \$ 205.00 | \$ 137.00 | \$ 137.00 |
| Pool & Spa | \$ 851.41 | \$ 1,375.00 | \$ 1,375.00 |
| Landscaping | \$ 850.00 | \$ 910.00 | \$ 900.00 |
| Pest | \$ 175.00 | \$ 135.00 | \$ 135.00 |
| HOA- Spinnaker's Reach | \$ 240.00 | \$ 275.00 | \$ 315.00 |
| HOA Century21 Mgmt | \$ | \$ | \$ 2,400.00 |
| Property Taxes | \$ 7,451.74 | \$ 7,573.48 | \$ 7,748.48 |
| Insurance | \$ 4,931.00 | \$ 5,000.00* | \$ 5,000.00 |
| Total Operating Expenses | \$ 22,275.34 | \$ 24,193.10 | \$ 26,519.12* |
| Replacement Reserves | | | \$ 10,800.00** |
| Total Annual HOA Expenses | | | \$ 37,319.12* |
| - Prorated Per Owner | | | \$ 3,109.93* |
| - Per Owner/Month | | | \$ 259.16* |

*- The amounts listed, including Reserves, are based on estimates and are solely for illustration purposes.

** - Not included in calculation. Any common rents would offset HOA expenses to owners.

**Sandpiper
Spinnaker's Reach Subdivision
9931 Louise Howard Drive, Emerald Isle, NC 28594**

Operation & Maintenance Budget

Existing Operating Expenses

Cable TV: Extended cable service is anticipated to be approximately \$75 per month per year during 2006.

Cable Internet: High-speed Internet service is available for \$29/mo additional. Island Shores is equipped with a WiFi router.

Electricity: AC, Heat Pump and Pool Heater all run on electricity. The house electricity bill is estimated at \$375.00 per month / \$4,500.00 per year for the year 2007.

HOA Dues: Sandpiper is in an exclusive Planned Unit Development called Spinnaker's Reach. HOA Dues include Pool/Clubhouse privileges.

Housecleaning (Annual): It is recommended that a professional housecleaning service be used once a year to thoroughly clean the interior and exterior of the house upon departure of each owner. Housecleaning will be scheduled during scheduled maintenance periods.

Housecleaning (Weekly): Each owner must have the house cleaned by a professional cleaning service after each period of use. If the house is not used on a particular week, then the maid service is not required. Basic weekly cleaning service is anticipated to be approximately \$190.00 during 2007 and must be paid to Century 21 Coastland, Inc. not later than the end of each calendar month. If the property will be occupied by the same Owner for two or more consecutive Unit Weeks, the weekly cleaning will only be required at the end of the occupancy (provided that the Owner notifies Century 21 Coastland, Inc. by Wednesday of the first week that the Owner does not want the house cleaned that week), but the charge for the cleaning at the end of the occupancy may be higher than the normal weekly cleaning fee depending on condition. If any additional cleanings are requested during that occupancy, the charge for each additional cleaning will be \$190.00.

Housecleaning- Linens: The weekly cleaning service does not include linens. If an Owner wishes to have the linens provided, they are available at \$20/bedroom, and can be put on the beds prior to their arrival at the property for an additional \$10 per bedroom. Century 21 Coastland, Inc. will need to be notified not later than the Wednesday prior to the Owner's arrival if the Owner wants this additional service.

Landscaping Maintenance: A landscaping service will be in charge of maintaining the yard. They will clean up general debris, spray for weeds, cut the grass and blow off the concrete for \$166.66 per month / \$2,000.00 per year for the year 2006. This will be done about once per month in the off-season and weekly during the summer. They will also perform tree maintenance, replace the mulch and do storm clean up for an additional charge.

Pest Control: The property will be under a termite bond with a pest control company. The annual termite inspection/treatment is anticipated to be \$200.00 in the year 2007. The property is also sprayed inside and outside quarterly for other insects. The charge for the first such spraying is anticipated to be \$75.00 and the subsequent quarterly sprayings are anticipated to be approximately \$65.00 each.

Pool & Spa Maintenance: This expense will be for the periodic cleaning of the pool and the periodic testing of the chemicals in the pool water. This expense is anticipated to be \$225 per month/\$2700 per year during the year 2006.

Property Insurance: The annual policy will include flood, SC Wind and Hail, and hazard insurance on the dwelling, including earthquake coverage, and general liability insurance on the property. The flood insurance premium figured in this budget covers \$250,000.00 of coverage through the National Flood Insurance Program plus an additional \$250,000.00 of coverage through the private insurance market.

Property Taxes: It is estimated that the initial annual real estate taxes on the property will be approximately \$8,000.00, including City of Emerald Isle and Carteret County. This is only a rough estimate, and the actual amount of the real estate taxes will depend upon the valuation placed on the property by the Carteret County, North Carolina, Assessor and the tax rate established by the applicable taxing authorities. Sandpiper Real Estate, LLC, will pay into the Association the pro-rata portion of the taxes on the property for the year 2007 for the period from January 1, 2007 through the date on which the ownership is conveyed for each pro-rata fractional portion not conveyed to Fractional Owners

Telephone: Basic telephone service only is anticipated to be approximately \$27.00 per month/\$325.00 per year, which does not include any long distance calling. Owners wishing to place long distance calls from the residence phone must use their own calling card.

Trash: Curbside trash collection is included in City taxes. This is the charge for Poole Maintenance to Roll Out and Roll Back trash cans from house as necessary, per town ordinance.

Water: Water service from Bogue Banks Water Cooperative averages \$45/mo, but may be higher in the event of pool/spa maintenance requiring refills.

New Fractional Management Expenses

Total Annual HOA Expenses: Century 21 Coastland, Inc. will be handling the financial business of the Island Shores Homeowners Association, Inc. (the "Association"). This will include scheduling of all maintenance and repairs, payment of all bills, billing of Owners, preparation and monitoring of the budget and regular reporting to the owners. The HOA fees will be \$250.00 per month or \$3,000.00 per year for this service during 2007, and cover all management, maintenance and reserves for the property. A licensed CPA will prepare the annual tax return for approximately \$200.00 per year. As "Island Shores" is a Fractional Vacation Ownership Club, Century 21 Coastland, Inc. will also serve as the initial Property Manager until the first annual meeting of the HOA after conveyance of 51% of the property, at which time the HOA will choose a Manager. The Property Management fees are included in the HOA Fees for Owner's and will be 15% of rentals plus fees for visiting Guests. The **Property Management Agreement** outlines the duties of the manager.

Note Regarding Rental Management: Century 21 Coastland, Inc., is the rental agent for many rental houses on Emerald Isle and has been chosen to be the rental agent for "Island Shores". Each interval owner may enter into a rental agreement with Century 21 Coastland, Inc. to rent out their fractional weeks. The rental fee will be determined by the agreement between Century 21 Coastland, Inc. and each interval owner. Any monies received from such rental of an interval week, after payment of rental commissions and any expenses of the rental, will go to the owner of the rented interval week, subject to the rights of the Association with respect to any past due assessments due to the Association.

Replacement Reserve: Used to build a reserve to replace general household fixtures, furnishings and major items that wear out. Fixtures and furnishings such as: mattresses, sofa, chairs, rugs, dishes, pots and pans and other household furnishings and decorations. Also major items such as: for example, roofing, A/C System, flooring, appliances, landscaping, painting and other replacement items.

Island Shores

6805 Ocean Drive

Income and Loss Statement

| | FY05 West 6/10-12/31 | FY05 East 6/10-12/31 | FY 2005 6/10-12/31 | FY 2006 1/1-12/31 | FY 2007 1/1-12/31* |
|--|-------------------------|-------------------------|-----------------------|----------------------|--------------------------|
| Rents Received | \$ 33,411.63 | \$ 38,837.02 | \$ 72,248.65 | \$ 92,735.01 | \$ 97,796.00* |
| Commissions | \$ 5,217.31 | \$ 8,121.16 | \$ 13,338.47 | \$ 12,888.87 | \$ 17,669.40* |
| Net Receipts | \$ 28,194.32 | \$ 30,715.86 | \$ 58,910.18 | \$ 79,846.14 | \$ 80,126.60* |
| Common Rental Income <i>(rental of 2-4 Common Weeks)</i> | | | | | \$ 2,500.00* |
| Operating Expenses | | | | | |
| Utilities | | | | | |
| Cable/Internet | \$ 252.63 | \$ 252.63 | \$ 505.26 | \$ 1,086.20 | \$ 872.64 |
| Phone | \$ 161.23 | \$ 161.23 | \$ 322.46 | \$ 382.68 | \$ 324.00 |
| Water | \$ 91.55 | \$ 98.36 | \$ 827.72 | \$ 1,463.75 | \$ 1,463.75 |
| Electricity | \$ 956.00 | \$ 1,004.00 | \$ 1,960.00 | \$ 4,479.00 | \$ 4,479.00 |
| Housekeeping | \$ 1,360.00 | \$ 1,700.00 | \$ 3,060.00 | \$ 2,975.00 | \$ 4,275.00 |
| Maintenance | | | | | |
| Trash | \$ 95.00 | \$ 80.00 | \$ 175.00 | \$ 55.00 | \$ 110.00 |
| Pool & Spa | | | | \$ 1,375.00 | \$ 1,375.00 |
| Landscaping | \$ 70.00 | \$ 335.00 | \$ 405.00 | \$ 735.00 | \$ 600.00 |
| Pest Control | \$ 90.00 | \$ 45.00 | \$ 135.00 | \$ 135.00 | \$ 135.00 |
| HOA Century21 Mgmt | | | | | \$ 2,400.00 |
| Property Taxes | | | \$ 7,573.99 | \$ 7,751.88 | \$ 7,930.00 |
| Property Insurance | | | \$ 4,832.00 | \$ 5,000.00* | \$ 5,000.00 |
| Total Operating Expenses | | | \$ 19,796.43 | \$ 25,438.51 | \$ 28,964.39* |
| Replacement Reserves | | | | | \$ 10,800.00** |
| Total Annual HOA Expenses | | | | | \$ 39,764.39* |
| - Prorated Per Owner | | | | | \$ 3,313.70* |
| - Per Owner/Month | | | | | \$ 276.14* |

* - The amounts listed above include Reserves and are based on estimates solely for illustration purposes.

** - Not included in calculation. Any common rents would offset HOA expenses to owners.

**Island Shores
Shell Cove Subdivision
6805 Ocean Drive, Emerald Isle, NC 28594**

Operation & Maintenance Budget

Existing Operating Expenses

Cable TV: Extended cable service is anticipated to be approximately \$75 per month per year during 2006.

Cable Internet: High-speed Internet service is available for \$29/mo additional. Island Shores is equipped with a WiFi router.

Housecleaning (Annual): It is recommended that a professional housecleaning service be used once a year to thoroughly clean the interior and exterior of the house upon departure of each owner. Housecleaning will be scheduled during scheduled maintenance periods.

Housecleaning (Weekly): Each owner must have the house cleaned by a professional cleaning service after each period of use. If the house is not used on a particular week, then the maid service is not required. Basic weekly cleaning service is anticipated to be approximately \$190.00 during 2007 and must be paid to Century 21 Coastland, Inc. not later than the end of each calendar month. If the property will be occupied by the same Owner for two or more consecutive Unit Weeks, the weekly cleaning will only be required at the end of the occupancy (provided that the Owner notifies Century 21 Coastland, Inc. by Wednesday of the first week that the Owner does not want the house cleaned that week), but the charge for the cleaning at the end of the occupancy may be higher than the normal weekly cleaning fee depending on condition. If any additional cleanings are requested during that occupancy, the charge for each additional cleaning will be \$190.00.

Housecleaning- Linens: The weekly cleaning service does not include linens. If an Owner wishes to have the linens provided, they are available at \$20/bedroom, and can be put on the beds prior to their arrival at the property for an additional \$10 per bedroom. Century 21 Coastland, Inc. will need to be notified not later than the Wednesday prior to the Owner's arrival if the Owner wants this additional service.

Electricity: AC, Heat Pump and Pool Heater all run on electricity. The house electricity bill is estimated at \$375.00 per month / \$4,500.00 per year for the year 2007.

Landscaping Maintenance: A landscaping service will be in charge of maintaining the yard. They will clean up general debris, spray for weeds, cut the grass and blow off the concrete for \$166.66 per month / \$2,000.00 per year for the year 2006. This will be done about once per month in the off-season and weekly during the summer. They will also perform tree maintenance, replace the mulch and do storm clean up for an additional charge.

Pest Control: The property will be under a termite bond with a pest control company. The annual termite inspection/treatment is anticipated to be \$200.00 in the year 2007. The property is also sprayed inside and outside quarterly for other insects. The charge for the first such spraying is anticipated to be \$75.00 and the subsequent quarterly sprayings are anticipated to be approximately \$65.00 each.

Pool & Spa Maintenance: This expense will be for the periodic cleaning of the pool and the periodic testing of the chemicals in the pool water. This expense is anticipated to be \$225 per month/\$2700 per year during the year 2006.

Property Insurance: The annual policy will include flood, SC Wind and Hail, and hazard insurance on the dwelling, including earthquake coverage, and general liability insurance on the property. The flood insurance premium figured in this budget covers \$250,000.00 of coverage through the National Flood Insurance Program plus an additional \$250,000.00 of coverage through the private insurance market.

Property Taxes: It is estimated that the initial annual real estate taxes on the property will be approximately \$8,000.00, including City of Emerald Isle and Carteret County. This is only a rough estimate, and the actual amount of the real estate taxes will depend upon the valuation placed on the property by the Carteret County, North Carolina, Assessor and the tax rate established by the applicable taxing authorities. Sandpiper Real Estate, LLC, will pay into the Association the pro-rata portion of the taxes on the property for the year 2007 for the period from January 1, 2007 through the date on which the ownership is conveyed for each pro-rata fractional portion not conveyed to Fractional Owners

Telephone: Basic telephone service only is anticipated to be approximately \$27.00 per month/\$325.00 per year, which does not include any long distance calling. Owners wishing to place long distance calls from the residence phone must use their own calling card.

Trash: Curbside trash collection is included in City taxes. This is the charge for Poole Maintenance to Roll Out and Roll Back trash cans from house as necessary, per town ordinance.

Water: Water service from Bogue Banks Water Cooperative averages \$45/mo, but may be higher in the event of pool/spa maintenance requiring refills.

New Fractional Management Expenses

Total Annual HOA Expenses: Century 21 Coastland, Inc. will be handling the financial business of the Island Shores Homeowners Association, Inc. (the "Association"). This will include scheduling of all maintenance and repairs, payment of all bills, billing of Owners, preparation and monitoring of the budget and regular reporting to the owners. The HOA fees will be \$250.00 per month or \$3,000.00 per year for this service during 2007, and cover all management, maintenance and reserves for the property. A licensed CPA will prepare the annual tax return for approximately \$200.00 per year. As "Island Shores" is a Fractional Vacation Ownership Club, Century 21 Coastland, Inc. will also serve as the initial Property Manager until the first annual meeting of the HOA after conveyance of 51% of the property, at which time the HOA will choose a Manager. The Property Management fees are included in the HOA Fees for Owner's and will be 15% of rentals plus fees for visiting Guests. The **Property Management Agreement** outlines the duties of the manager.

Note Regarding Rental Management: Century 21 Coastland, Inc., is the rental agent for many rental houses on Emerald Isle and has been chosen to be the rental agent for "Island Shores". Each interval owner may enter into a rental agreement with Century 21 Coastland, Inc. to rent out their fractional weeks. The rental fee will be determined by the agreement between Century 21 Coastland, Inc. and each interval owner. Any monies received from such rental of an interval week, after payment of rental commissions and any expenses of the rental, will go to the owner of the rented interval week, subject to the rights of the Association with respect to any past due assessments due to the Association.

Replacement Reserve: Used to build a reserve to replace general household fixtures, furnishings and major items that wear out. Fixtures and furnishings such as: mattresses, sofa, chairs, rugs, dishes, pots and pans and other household furnishings and decorations. Also major items such as: for example, roofing, A/C System, flooring, appliances, landscaping, painting and other replacement items.