



November 2008

Dear Seawatch On-the-Beach Owner,

As we near the end of another terrific year at your resort, we are grateful for the opportunity to continue serving you.

In recent months, several exciting property enhancements have been made, including replacement of the living room furniture (couch/sectionals, loveseats, side chairs and dining room chairs). We also added silk arrangements to the dining room and master bedroom. In addition, the windows were replaced throughout the resort in June and the elevators are being updated, a project that is set for completion by mid-December.

We value the privilege of serving you and the role we play in making your vacations fun, relaxing and unforgettable.

2009 Billing / Budget Impacts

Enclosed is the statement for your 2009 maintenance assessment and real estate taxes. The assessment portion funds the day-to-day operations of your resort, with the reserves portion funding future improvements to your property, including replacement of furniture and roofing, painting and other enhancements as needed.

Just as higher fuel costs and other rising costs have affected us in our personal lives, so too have the increased costs impacted the operation of your resort. The cost of fuel has a direct impact on the cost of utilities and also drives inflation, which in turn leads to higher costs for a range of products and services.

Key factors that may contribute to a change in maintenance fees for 2009 include: an increased cost of amenities and activities; expenses driven by inflationary trends such as real estate taxes and insurance premiums, which rose by approximately 18 percent; and cost-of-living wage increases for on-site employees. Your resort's real estate taxes are reverting to the normal rates after a one-time credit provided in 2008 because of property closures caused by previous hurricanes. Meanwhile, because of careful attention and planning, your Board of Directors and the resort staff have been successful at keeping electric costs down over the past three years.

Other budget factors specific to your resort include:

- Replacement of the propane pool-heating system with a geothermal heating system. This new system is expected to reduce pool heating costs by at least 50 percent, according to the manufacturer.
- Replacement of the resort's gas grills.
- Sanding and re-painting of unit entry doors.
- Minor repairs, seal coating and re-stripping of the parking lot.
- Resurfacing of the common area just outside the pool doors.

Please keep in mind that your Board of Directors and Hilton Grand Vacations Company work carefully to establish your association's budget, addressing important needs for maintaining and enhancing your property while managing your annual maintenance fee. For more information about your billing statement – including Frequently Asked Questions – please review the enclosed brochure, "Understanding Your Vacation Ownership Statement."

Your prompt payment of the enclosed bill – due by January 1, 2009 – is appreciated. Payment on or before that date will ensure sufficient flow of funds to support ongoing operations at your property.

Payment Options

By Check – Paying by check is the most cost-effective payment method for your association. Please make your check payable to Seawatch On-the-Beach Condominium Association Inc., include your account number on the check and remit it with your payment stub. If you own at more than one property, please prepare a separate check for each association to prevent co-mingling of funds among associations.

By Credit Card Online – Using your Club Member number and password, log in at hgvclub.com and click “Pay Fees & Taxes” under the “My Ownership” tab. If you’ve never logged in before, visit the “Create an Account” section on the website’s sign-in page to create your password and access your account. If you are not a Club Member, simply go to hgvclub.com and click the online payment button for non-members.

All payments must be payable in U.S. funds.

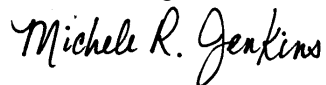
Board of Directors

At the last Annual Owners Meeting, the ownership elected Steve Couch, Mike Dammeyer and Tim Pellerin to the Board of Directors. We are excited to have them as Board Members and look forward to their many contributions to the long-term prosperity of your property and your association. We also extend our thanks to the rest of your Board Members – Steve Hoffman and John Sykora – for their continued support and leadership.

At the 2009 Annual Owners Meeting, one (1) candidate will be elected to the Board of Directors. If you are interested in pursuing candidacy, please complete the enclosed Board of Directors Candidate Form and return it by January 31, 2009.

If you have any questions about your 2009 maintenance fees and taxes, please feel free to contact me by phone at (239) 463-4469 or by email at mjenkins@hgvc.com. On behalf of the entire staff of Seawatch On-the-Beach, we look forward to welcoming you back to the familiar comfort of your home away from home.

Warmest regards,



Michele Jenkins
Resort Manager

**SEAWATCH ON THE BEACH CONDOMINIUM ASSOCIATION, INC.
ANNUAL BUDGET FOR THE PERIOD
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009**

	Statutory Reserve Funding		2008 Per Unit/ Week	2008 Annual Budget	With Owner Waiver of Statutory Reserve Funding	
RESERVES						
RESERVE REVENUE	588,826	280.39	244.00	512,399	449,275	213.94
RESERVE EXPENSES						
Capital Expenses						
Interior Reserve Expense	450,781	214.65	203.00	426,299	350,057	166.69
Roof Reserve Expense	2,450	1.17	0.16	333	3,333	1.59
Paving Reserve Expense	13,494	6.43	8.34	17,508	14,694	7.00
Capital Improvements Res Expense	98,501	46.90	20.60	43,259	56,191	26.76
Total	565,226	269.15	232.10	487,399	424,275	202.04
Painting Reserve Expense	23,600	11.24	11.90	25,000	25,000	11.90
RESERVE EXPENSE Total	588,826	280.39	244.00	512,399	449,275	213.94
RESERVE PROFIT/(LOSS)	0	0.00	0.00	0	0	0.00

SUMMARY	Statutory Reserve Funding		2008 Per Unit/ Week	2008 Annual Budget	With Owner Waiver of Statutory Reserve Funding	
OPERATING FEE	1,169,065	556.70	506.93	1,064,550	1,169,065	556.70
CAPITAL RESERVE	565,226	269.15	232.10	487,399	424,275	202.04
PAINTING RESERVE	23,600	11.24	11.90	25,000	25,000	11.90
SPECIAL ASSESSMENT	0	0.00	0.00	0	0	0.00
NET BEFORE CREDITS	1,757,891	837.09	750.93	1,576,949	1,618,340	770.64
CREDITS						
PAINTING RESERVE REFUND	0	0.00	0.00	0	0	0.00
OPER. SURPLUS REFUND	0	0.00	0.00	0	0	0.00
TOTAL CREDITS	0	0.00	0.00	0	0	0.00
TOTAL AMOUNT BILLED	1,757,891	837.09	750.93	1,576,949	1,618,340	770.64

**RESERVE ANALYSIS FOR THE PERIOD
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009**

2100 unit/weeks	Average Estimated Life (in years)	Average Estimated Remaining Life (in years)	Estimated Replacement Cost (42 units)	2009 Statutory Reserve Funding	Estimated Fund Balance As of 1/1/2009	2009 Proposed Reserve Funding	2009 Projected Expenses	Estimated Fund Balance As of 12/31/2009
Interior	11.27	6.38	\$3,117,341	\$450,781	\$240,000	\$350,057	\$151,494	\$438,563
Roof	15.00	4.00	\$50,000	\$2,450	\$40,200	\$3,333	\$0	\$43,533
Painting	6.00	4.00	\$150,000	\$23,600	\$55,600	\$25,000	\$0	\$80,600
Paving	27.54	4.93	\$115,500	\$13,494	\$49,000	\$14,694	\$0	\$63,694
Capital Improvements	14.20	5.82	\$648,900	\$98,501	\$76,000	\$56,191	\$51,000	\$81,191
TOTAL			\$4,081,741	\$588,826	\$460,800	\$449,275	\$202,494	\$707,581

	2009 Statutory Reserve Funding	2009 Proposed Reserve Funding
Operating Fee	\$556.70	\$556.70
Capital Reserve	\$269.15	\$202.04
Painting Reserve	\$11.24	\$11.90
TOTAL AMOUNT BILLED	\$837.09	\$770.64

** The State of Florida mandates that condominium associations prepare calculations to fully fund reserves. The Law also provides the reserve requirement may be waived or reduced, allowing the unit owners to put less money into the reserve accounts. To meet fully funded requirements for Statutory Reserves, the resulting annual maintenance fee would be \$837.09. The Board of Directors recommended a vote in favor of waiving the full funding requirements for Statutory Reserves at the 2008 annual meeting, thereby establishing the maintenance fee at \$770.64 for the 2009 budget year.

NOTE:

There may be some items that may require future replacement and are not reserved for, i.e.: replacement of plumbing, railings, electrical wiring, etcetera. These types of items will need to be paid from operating funds or will require a special assessment.

The components' actual replacement costs and useful lives may vary from the estimated amounts. If additional funds are needed, the Association has the right, subject to Board approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

There are 2100 periods of 7-day annual use availability that exist within the timeshare plan for which annual fees are required to be paid to the Division of Florida Land Sales, Condominiums and Mobile Homes, Bureau of Timeshare, in accordance with Section 721.27, of the Florida Statutes.

SEAWATCH ON THE BEACH CONDOMINIUM ASSOCIATION, INC.
ANNUAL BUDGET FOR THE PERIOD
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Description	2100 unit/weeks	2009 Annual Budget	2009 Per Unit/ Week	2008 Per Unit/ Week	2008 Annual Budget
OPERATING REVENUE					
Association Fees		1,169,065	556.70	506.93	1,064,550
Late Fee Income		8,450	4.02	4.29	9,000
NSF Income		175	0.08	0.00	0
Interest Income		9,875	4.71	5.71	12,000
Dividend Income		1,900	0.90	6.77	14,225
Sales Rent Income		7,752	3.69	3.54	7,428
Vending Income		1,300	0.62	0.69	1,450
Total		1,198,517	570.72	527.93	1,108,653
ADMINISTRATIVE					
Annual Audit		6,540	3.11	2.95	6,204
Bad Debt Expense		6,000	2.86	3.52	7,400
Other Administrative Expense		30,340	14.45	12.73	26,730
Postage, Printing, Newsletter		10,400	4.95	4.72	9,920
Management Fees		84,163	40.08	38.39	80,616
Division Fees		4,200	2.00	2.00	4,200
Financial Services Fees		26,308	12.53	12.00	25,200
Board Reimbursement		10,100	4.81	3.95	8,300
Total		178,051	84.79	80.27	168,570
OPERATING EXPENSE					
Office, Desk		181,993	86.66	70.25	147,524
Housekeeping, Laundry, Supplies		248,788	118.47	107.02	224,749
Security Provisions		46,450	22.12	20.90	43,900
Grounds & Landscaping		35,400	16.86	15.02	31,550
Pool & Spa		8,700	4.14	4.71	9,900
Recreation		14,569	6.94	16.44	34,521
Total		535,900	255.19	234.35	492,144
UTILITIES					
Electric		60,000	28.57	29.90	62,800
Water, Sewer, Gas		46,100	21.95	25.46	53,475
Waste Disposal		12,840	6.11	6.11	12,825
Telephone		4,320	2.06	2.06	4,320
Cable Television		21,840	10.40	10.00	21,000
Total		145,100	69.09	73.53	154,420
BUILDING					
Maintenance - Service, Equipment, Supplies		134,274	63.94	62.27	130,761
Elevator Contracts		3,600	1.71	2.52	5,300
Total		137,874	65.65	64.79	136,061
INSURANCE AND TAXES					
General Insurance		194,092	92.43	71.41	149,958
Income Tax		7,500	3.57	3.57	7,500
Taxes Upon Timeshare Property (Ad Valorem Taxes)		N/A	N/A	N/A	N/A
Taxes Upon Leased Areas		N/A	N/A	N/A	N/A
Total		201,592	96.00	74.98	157,458
OPERATING EXPENSES					
Total		1,198,517	570.72	527.93	1,108,653
OPERATING PROFIT/(LOSS)					
		0	0.00	(0.00)	(0)

Ad Valorem Taxes on individual weeks are billed by the County Property Appraiser's office based on the relative value of the unit week and therefore are not reflected in the above operating budget.