

17

**Reef Associates, Inc.**  
**Minutes of the Annual Meeting**  
**February 15, 1992**

The 17th Annual Meeting of the Reef Associates, Inc. was opened at 9:30 a.m., Saturday, February 15, 1992 at the Reef's Pool Pavilion by Margaret McKelvey, the Secretary to the Board of Directors.

Following the presentation of the Proof of Notice of the meeting, read by Treasurer Jim Sheets, a motion duly made and seconded waived the reading of the minutes of the February 7, 1991 Annual Meeting and voted their approval as previously distributed.

The Secretary asked for those owners who were holding proxies to identify themselves; whereupon proxies for villas numbered 108, 407, 417, and 425 were so identified.

Finally she introduced the presiding officer, C. R. Broderick, President, who before giving his Annual Report presented the following to the members:

1. An updated list of villa owners with phone numbers.
2. A summary of Casualty and Liability coverages which will be in force April 1, 1992, and
3. A set of six (6) forms designed to enable owners to inform themselves and to offer their talents and experiences for the betterment of the operation of the Reef. The forms are identified as follows:

Request for Copies of Various Documents  
Request for Review of Various Documents  
Committee Interest Questionnaire  
Proposed Candidate Checklist  
Proposed Candidate Letter to Nominating Committee  
Comments and Complaints

4. An appeal for owners who use the services of Reef employees, although on the employee's own time and at the owners expense, to do so with the advance knowledge of Jim Davenport, General Manager, so that he can better plan for the use of the employees for Reef work.
5. The announcement that 68 proxies had been received in the office to be voted on behalf of the management.

CHART #1

## XVII

### THE REEF ASSOCIATES, INC.

#### REEF POOL PAVILION

SATURDAY, FEBRUARY 15, 1992, 9:30 A.M.

- A. PROOF OF NOTICE
- B. MINUTES
- C. REPORTS OF OFFICERS
- D. REPORTS OF COMMITTEES
- E. ELECTION
- F. OLD BUSINESS - QUESTIONS
- G. NEW BUSINESS
- H. RATIFY ACTS
- I. ADJOURN
- J. BOARD REORG. MEETING

#### OWNERS REPRESENTATION RECORD

<u>DATE</u>	<u>SECTION I</u>	<u>SECTION IV</u>	<u>TOTAL</u>
1985	21	27	48
1986	13	27	40
1987	19	22	41
1988	16	24	40
1989	17	26	43
1990	27	32	59
1991	28	28	56
1992	21	24	45

## PRESIDENT'S REPORT

WELCOME TO THE REEF ASSOCIATES INC. ANNUAL SHAREHOLDERS MEETING XVII. WE ARE HERE TO DISCUSS RAI'S SUCCESSES AND FAILURES, AND WE ARE ALSO HERE TO ATTEMPT TO PLAN WELL FOR THE FUTURE. THIS CORPORATION IS TODAY OPENING ITS DOORS TO A NEW AND EXCITING PERIOD IN ITS HISTORY, EMERGING FROM 28 MONTHS OF OPERATION UNDER THE EXTREMELY ARDUOUS CONDITIONS CREATED BY HUGO, NURTURED BY THE DIFFICULTIES OF DOING BUSINESS ON THIS ISLAND AND NECESSITATING THE USE OF SEVERAL TEMPORARY OPERATIONS MANAGERS.

FIRST, A WORD OF THANKS. FROM THE OUTSET, THE THREEFOLD AIM OF OUR REBUILDING EFFORT WAS TO PRESERVE THE REEF, TO PROTECT THE OWNERS, AND TO MAXIMIZE EACH SHAREHOLDER'S RECOVERY FROM THE LOSSES SUSTAINED. TWENTY EIGHT MONTHS AGO, EVEN THE MOST OPTIMISTIC OBSERVER WOULD SCARCELY HAVE PREDICTED THE CIVILITY, THE DISPATCH, AND THE GOOD FAITH WITH WHICH THIS GOAL WAS ACCOMPLISHED.

THE REEF OWES A GREAT DEBT OF GRATITUDE TO ALL THOSE WHO WEATHERED THIS CHALLENGING PERIOD WITH US:

- TO OUR OWNERS WHO NEVER WAVERED AND WHO FAITHFULLY STUCK WITH US THROUGHOUT THE PROCESS;
- TO OUR STAFF FOR THEIR FIDELITY, TENACITY, AND CHEERFUL WILLINGNESS TO SHOULDER ANY TASK;
- TO OUR PROFESSIONAL ADVISORS FOR THEIR CREATIVITY AND ENLIGHTENED COUNSEL;
- AND TO OUR DIRECTORS FOR THEIR CALM, STEADY AND STRONG LEADERSHIP.

MY THANKS GO OUT TO ALL OF YOU. A SPECIAL WORD OF THANKS TO ONE OF OUR STAUCHEST SUPPORTERS. THE TERM OF DIRECTOR DR. GEORGE MASSELL, WILL TERMINATE IN THE COURSE OF THIS MEETING. GEORGE HAS SERVED THE REEF AS SECY/TREAS IN 1977, PRESIDENT IN '87-'88, EXEC. & FIN. CMTE'S IN '90-'91 AND, IN BETWEEN THAT TIME, IN EVERY OTHER CAPACITY THAT HE COULD BE OF SERVICE TO THE REEF. HE HAS GIVEN SUCH TIME EFFORT AND DEVOTION TO THIS REEF COMMUNITY, THAT HE DESERVES OUR PLAUDITS IN APPRECIATION FOR HIS CONTRIBUTIONS.

THE POLICY THIS ADMINISTRATION HAS FOLLOWED DOES NOT ALLOW OLD WAR HORSES, SUCH AS GEORGE, BOB MORGAN, BOB SHAW AND JOHN WALLEY, TO BE PUT OUT TO PASTURE. NO, WE THINK THIS PAST PRESIDENTIAL POOL OF EXPERIENCED EXPERTS IS ONE OF OUR MOST VALUABLE RESOURCES AND, THROUGHOUT OUR ADMINISTRATION, WE HAVE ANNUALLY NAMED THEM HONORARY DIRECTORS. WHILE THEY HAVE NO VOTE, THEIR WISE COUNSEL AND PARTICIPATION IN BOARD DISCUSSIONS IS INVALUABLE TO ALL OF US, ESPECIALLY NEWER DIRECTORS.

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already had his share of uncommon problems. Jim, let me assure you first of all that those of us who participated in your interviews and eventual selection were very much impressed. We are confident that your tenure here will be a lengthy and effective one. And let me also assure you that nothing would make all our owners happier than to see you succeed in becoming the strong, efficient, and just general manager that all of us have known we need. You may be sure all of us are 100% solidly behind you.

Let's talk for a moment about Communications:

This past year we have mailed five detailed letters to owners, with complete updates on ALL activities, plus an owners opinion poll and a complete budget for the next fiscal year. Among our accomplishments this past year:

1. The final draw on a \$500,000.00 SBA loan at 4% interest.
2. The final collection of the full \$3,196,000.00 insurance settlement.
3. The completion of villa repairs placing all villas in better condition than they were since they were new.
4. The construction of a new and impressive entrance to the complex.
5. The 100% re piping of the swimming pool and updating of pump house equipment.
6. The complete redesigning of the roof and facade of the Golf and convenience store building.
7. The building of new golf bag storage racks in the pro shop.
8. The exterior painting of all buildings.
9. The procurement of new beach and pool furniture and assurance of the monitoring of use.
10. Start of the first major planting and beautification project since 1969.
11. The replacement of beach structures.
12. The standardization of all signage in conformance with original Reef colors.
13. The installation of dusk to dawn lights for the restaurant parking lot, ordered from WAPA 11 months ago.
14. Changing of the master insurance policy so as to include interiors and appliances.
15. The start of civil proceedings against Lee Alexander.
16. The start of criminal charge proceedings against Lee Alexander.
17. The complete re keying all villas and tightening of the office key control system.
18. The solicitation of proposals for replacing the sewer plant and the visitation of new installations.

THESE ARE BUT A FEW HIGHLIGHTS OF THE PAST YEAR'S ACHIEVEMENTS. IN ADDITION, THE FOLLOWING CHARTS DETAIL THE INSURANCE PAYMENTS AND THE MAJOR EXPENDITURES.

CHART #2 --- INSURANCE RECAP

CHART #3 --- MAJOR RECONSTRUCTION PAYMENTS

The three items at the bottom of the chart have been broken out at the request of a few owners and are included in the above amounts

CHART #2 INSURANCE RECAP 1/31/91 AND HUGO EXPENDITURES

INSURANCE RECAP 1/31/91

COVERAGE	\$8,300,000	
CLAIM		\$4,185,000
SETTLEMENT		3,201,994 (77%)
LESS DEDUCTIBLE		<u>6,000</u>
NET SETTLEMENT		3,195,994

INSURANCE RECEIPTS

12/04/89		500,000
03/12/90		2,040,163
01/03/91		400,000
03/01/91		5,121
03/15/91		<u>250,910</u>
TOTAL		3,196,194
LESS ADJUST.		<u>191,772</u>
		3,004,422
HUGO EXP.		3,773,654

CHART #3 MAJOR RECONSTRUCTION PAYMENTS

MAJOR RECONSTRUCTION PAYMENTS AS OF 01/31/92

1.	WINDOWS	\$1,233,831
2.	JPS	425,960
3.	MISC. MAT.	467,655
4.	MAJOR SUPPLIERS	401,657
5.	MISC. LABOR	439,039
6.	SMW ADJUSTERS	191,772
7.	ELECTRICAL LAB.	130,231
8.	GAR	125,873
9.	KITCHENS	123,769
10.	#134	74,192
11.	BULKLEY & CO.	49,785
12.	RESTAURANT	46,550
13.	POOL PAV. & RO MAINT.	42,152
14.	CLEANING	14,384
15.	INS. MTG. EXP.	6,806
	TOTAL SPENT	<u>3,773,654</u>
	INSURANCE	3,004,422
	GUARD HOUSE	8,000
	BEACH HOUSES	3,000
	GOLF BUILDING	25,980



LET'S TALK FOR A MOMENT ABOUT OWNER PARTICIPATION:  
IN THE LAST 5 YEARS, 54 DIFFERENT OWNERS HAVE SERVED ON COMMITTEES. IN  
THE LAST 10 YEARS, 32 DIFFERENT OWNERS HAVE SERVED AS DIRECTORS, 21 OF  
THEM AS OFFICERS. 38 owners CURRENTLY participate in committee work.  
All committees have functioned fully all year, and it is, in fact, the  
PRO-ACTIVE role of some of these committees, approved by the board, that  
has upset some owners.

IN ADDITION TO THESE COMMITTEES AND DIRECTORS, THE FOLLOWING IS A  
PARTIAL LIST OF SPECIAL OWNER EXPERTISE WE HAVE CALLED UPON RECENTLY,  
OUR APOLOGIES IF WE HAVE FAILED TO INCLUDE ANYONE:

BENNER,	Insurance	EASTON,	Golf & plantings
BEWICK,	Adv. & P.R.	GILHOOLY,	Hardware procurement
CANTELL,	Office procedure	HANSELL,	Finance/Personell
CAVANAUGH,	Vehicles & parts	HERBERT,	Elec. Engineering
COLEANGELO,	Structural Engr.	PATTIE,	Legal
CORNELL,	Manager candidates	RESEVIC,	Plumbing procurement
DYER,	Manager candidates	METRO,	Legal
RUNGE,	Ins/Finance	SPINOZA,	Tennis/Sewer
SZALAY,	Elec. Engineering	COUPARD,	Architecture
BAKER,	Architecture	LEACH,	Architecture
VAUGHN,	Architecture		

OBVIOUSLY, NOT 100% OF THE IDEAS AND SUGGESTIONS PUT FORTH WERE ADOPTED,  
BUT ALL WERE CONSIDERED AND APPRECIATED.

We are convinced that we are making proper use of all of the owner  
professional talent available to us.

I THINK YOU WILL AGREE THAT THIS SHOWS AN EXCELLENT RECORD OF OWNER  
PARTICIPATION.

WE HAVE ALSO, in a recently mailed opinion poll, SOUGHT THE OPINIONS OF  
ALL OWNERS ON SEVERAL SUBJECTS ABOUT WHICH THERE HAS BEEN SOME  
CONTROVERSY RECENTLY. HERE ARE THE RESULTS OF THAT POLL:

CHART #4 OPINION POLL

8% of the owners registered disapproval of item #1

24% of the owners registered disapproval of item #2

27% of the owners registered disapproval of item #3

20% of the owners registered disapproval of item #4

53% of those responding to the golf fee item voted to retain the \$1 per round fee.

20% of those responding to the golf fee item voted to reinstitute an annual fee for all owners.

9% of those responding to the golf fee item voted to increase all golfing fees.

18% of those responding to the golf fee item voted to abandon owner annual fees and grant discounts off the normal greens fees instead.

The entire poll is available for your inspection at the office, or you may request that you be mailed a copy of the full report.

THIS ENTIRE PROPERTY, YOUR PROPERTY, IS LOOKING VERY GOOD. YOUR INVESTMENT HAS BEEN IN GOOD HANDS, AND WE FIRMLY BELIEVE THAT WE HAVE THE REEF HEADED IN THE RIGHT DIRECTION. IT IS OUR WISH, AND WE BELIEVE IT IS THE WISH OF THE VAST MAJORITY OF SHAREHOLDERS PRESENT, THAT THIS MEETING BE KEPT ON A POSITIVE AND PRODUCTIVE THEME RATHER THAN A DIVISIVE ONE. THOSE FEW SHAREHOLDERS WHO HAVE RECENTLY QUESTIONED THE BOARD'S COMPETENCY IN SOME AREAS AND CHALLENGED ITS AUTHORITY IN OTHERS, HAVE BEEN INVITED, INDIVIDUALLY OR JOINTLY, TO DISCUSS THEIR GRIEVANCES IN SEPARATE SESSIONS WITH THE FULL BOARD. THAT INVITATION REMAINS OPEN. YOUR PRESIDING OFFICER PLEDGES TO DO EVERYTHING POSSIBLE TO KEEP TODAY'S MEETING ON A HIGH PLANE WHILE ALLOWING FULL DISCUSSION ON ALL ISSUES PERTINENT TO THIS MEETING, SO LONG AS PROPER PROTOCOL IS FOLLOWED. I KNOW I CAN COUNT ON ALL FOR YOUR FULL SUPPORT.

EARLIER IN THIS REPORT, I REFERRED TO OUR GOVERNING DOCUMENTS. THERE APPEARS TO BE SOME CONFUSION ABOUT THESE. SINCE OWNERS LOOK TO US TO CLEAR UP CONFUSION AND NOT TO CREATE IT, LET ME ATTEMPT TO DO SO WITH A LITTLE HISTORICAL PERSPECTIVE THAT MIGHT BE ENLIGHTENING.

ONESCORE AND SEVERAL YEARS AGO, OUR FOREFATHERS, CAROLINA CARIBBEAN, BROUGHT FORTH UPON THIS ISLAND, ST. CROIX LTD., A U S VIRGIN ISLAND SHELL CORPORATION. IT WAS THIS CORPORATION, OF WHOM MOST OF YOU HAVE PROBABLY NEVER HEARD, THAT WAS THE "DECLARANT" FOR THE DEVELOPMENT TO BE KNOWN AS THE REEF CONDOMINIUM. CONCEIVED AS A LUXURY RESORT, AND DEDICATED TO THE PROPOSITION THAT THERE WOULD NEVER BE SUCH A SHATTERING ECONOMIC REVERSAL AS THAT CAUSED BY THE FOUNTAIN VALLEY INCIDENT. THUS WAS THE REEF LUXURY CONDOMINIUM RESORT CREATED. TO GOVERN THIS REBELLIOUS NEW COLONY, CAROLINA CARIBBEAN SENT ONE OF THEIR VICE PRESIDENTS, DON MANNING. THE REEF'S FIRST MANAGER/VICE PRES. NOT ONLY SURVIVED, BUT CO-INCIDENTALLY, AND HAPPILY IS A CURRENT WINTER RESIDENT AND IS THE GUEST OF THE BOARD TODAY. I INVITE THOSE OF YOU WHO ARE FELLOW SURVIVORS WITH DON, AS WELL AS ALL THE NEWER OWNERS TO PLEASE JOIN US IN WELCOMING DON AND POLLY MANNING BACK TO THE SCENE OF THE CRIME.

YES, WHAT HAPPENED TO DON AND CAROLINA CARIBBEAN IN 1972 WAS A CRIME. BUT I AM GETTING AHEAD OF MY STORY. IN 1969, DON MANNING AND CAROLINA CARIBBEAN COMPLETED THE FIRST PHASE OF THE REEF, AND ON SEPT. 16, 1970, THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND BYLAWS FOR THE REEF CONDOMINIUM -SECTION IV WAS RECORDED. TEN MONTHS LATER, ON JULY 8, 1971, AN IDENTICAL DOCUMENT WAS RECORDED FOR SECTION I. THE VILLA OWNER'S OWNED THE 11 ACRES OF COMMON LAND WITHIN EACH SECTION A 30 FOOT ENTRY EASEMENT FROM MEGGIE HILL TO EACH SECTION, AND THOSE UNITS WHICH HAD BEEN SOLD. TITLE TO THE REMAINING 100+ ACRES, ALL UNSOLD VILLAS, COMMON BUILDINGS, INCLUDING THIS ONE, AND ALL RECREATIONAL FACILITIES, CONTINUED TO BE HELD BY ST. CROIX LTD..

ONE IMPORTANT FACT THAT MANY FAIL TO UNDERSTAND IS THAT MOST OF THE BOARD ACTIONS, AND RESTRICTIONS TO WHICH A FEW INDIVIDUAL OWNERS NOW OBJECT, ORIGINATED NOT WITH THIS BOARD OF DIRECTORS, BUT ARE INCUMBENT ON US BY THE MANDATE OF THIS 21 YEAR OLD DOCUMENT. EXCEPT FOR THOSE PROVISIONS WHICH HAVE BEEN SUBORDINATED BY THE NEWER RAI COVENANTS, THIS

THEREIN THAT ARE BINDING ON BOTH OWNERS AND DIRECTORS, ARE THESE:

2(e) The boundary lines of each unit (belonging to the owner) are the interior surface of its perimeter walls, floors, ceilings, windows, & doors.

Par.13 The owner shall not, without first obtaining written consent of the board, (Not the manager) make any structural alteration, improvement or addition in or to his unit or in or to the exterior.....The owner shall not paint or decorate any portion of the exterior, or any portion of any patio, enclosed court yard, or storage area without first obtaining written consent of the board. (an often heard excuse among owners who have been notified of an illegal exterior alteration, is, "the manager TOLD US IT WAS OK". This restriction, enacted in 1971, demanded written consent of the board to specifically avoid any possible collusion between owners and managers that would circumvent the board.)

Par. 14 The board or its agents may enter any unit when necessary in connection with any maintenance. (Owners have never had the right to padlock their villa).

Par 15 The failure of the board or manager to insist upon the strict performance of any of the restrictions, or to serve any notice, or to institute any action shall not be construed as a waiver or relinquishment for the future, but such restriction shall remain in full force. (owners who have complained that this administration changed the rules by requiring that villas that were non-conforming when they acquired them be corrected as a condition of their sale of the villa, fail to understand that the board did not change the rule, it merely offered a conciliatory gesture, in compliance with the rule, to extend the time frame for correction thereof.

Par. 18 In any and all unit resales, or in any leasing or renting, the declarant, through its duly licensed real estate broker, shall act as exclusive agent and shall be paid by the owner, the prevailing real estate commission.

Par. 21 Each owner shall comply strictly with the provisions of this Declaration, by laws and the administrative rules and regulations drafted pursuant thereto as the same may be lawfully amended from time to time...and failure to comply shall be grounds for action to recover sums due for damage or injunctive relief or both, by the board or an aggrieved owner.

SECTIONS I & IV HOMEOWNERS ASSOCIATION BY-LAWS  
(PART OF THE COVENANTS)

1. ....The acceptance of a deed of conveyance .... or the act of occupancy of a unit shall constitute agreement that these by laws, rules and regulations made pursuant hereto and the provisions of the declaration, as they may be amended from time to time, are

E. THE BOARD.... SHALL ENFORCE THE PROVISIONS OF THE DECLARATION, BY LAWS, AND RULES AND REGULATIONS.....

V IT SHALL BE THE RESPONSIBILITY OF THE BOARD TO DETERMINE QUESTIONS RELATING TO THE MAINTENANCE, REPAIR, AND REPLACEMENT OF ALL COMMON AREAS AND FACILITIES.

VI COMMON EXPENSES:

A. ASSESSMENTS

1.....THE BOARD OF DIRECTORS SHALL ESTIMATE THE NET CHARGE TO BE PAID DURING THE FOLLOWING YEAR....SAID "ESTIMATED CASH REQUIREMENT" SHALL BE ASSESSED TO THE OWNERS.....EACH OWNER SHALL BE OBLIGATED TO PAY..... (requires only lump sum figure)

6. THE BOARD SHALL KEEP DETAILED, ACCURATE RECORDS IN CHRONOLOGICAL ORDER OF THE RECEIPTS AND EXPENDITURES AFFECTING THE COMMON AREA... AND ITEMIZING EXPENSES INCURRED. RECORDS AND VOUCHERS AUTHORIZING THE PAYMENTS INVOLVED SHALL BE AVAILABLE FOR EXAMINATION BY THE OWNER AT CONVENIENT HOURS OF WEEK DAYS.

VII THE VIOLATION OF ANY RULE ADOPTED BY THE BOARD OR THE BREACH OF ANY BY LAW OR OF ANY PROVISION OF THE DECLARATION, SHALL GIVE THE BOARD THE RIGHT TO ENTER THE UNIT IN WHICH SUCH VIOLATION OR BREACH EXISTS AND TO REMOVE, AT THE EXPENSE OF THE OWNER, ANY STRUCTURE, THING OR CONDITION THAT MAY EXIST THEREIN CONTRARY TO THE INTENT AND MEANING OF THE PROVISIONS HEREOF, AND THE BOARD SHALL NOT THEREBY BE DEEMED GUILTY IN ANY MANNER OF TRESPASS.

VIII THE BOARD MAY DELEGATE ANY OF ITS DUTIES, POWERS, OR FUNCTIONS TO ANY PERSON OR FIRM TO ACT AS MANAGER. IN THE ABSENCE OF ANY APPOINTMENT, THE PRESIDENT SHALL ACT AS MANAGER.

THE END

REMEMBER THAT ONLY EXCERPTS OF THIS GOVERNING DOCUMENT HAVE BEEN READ TODAY. EACH OF YOU SHOULD HAVE RECEIVED A COMPLETE COPY FROM YOUR ATTORNEY AT CLOSING.

BY THE TIME THE FOUNTAIN VALLEY INCIDENT OCCURRED, IN SEPT., 1972, CAROLINA CARIBBEAN CLAIMED TO HAVE INVESTED OVER TWELVE MILLION DOLLARS IN THE REEF. THAT INCIDENT, HOWEVER, MADE IT IMPOSSIBLE FOR THEM TO SELL THE REMAINING 50 VILLAS AND FORCED THEM TO SEEK REFUGE IN CHAPTER 11 OF THE BANKRUPTCY CODE.

IN 1973, A SMALL GROUP OF INTERESTED VILLA OWNERS ATTEMPTED TO WORK OUT A TENTATIVE DEAL TO BUY THE COMPLEX. HOWEVER, THEY WERE UNABLE TO RAISE THE REQUIRED FINANCING, AND THE DEAL FELL THROUGH.

ALL OWNERS THEN JOINED TOGETHER AND, ON APRIL 3, 1974, RECORDED THE ARTICLES OF INCORPORATION FOR THE REEF ASSOCIATES, INC., A CORPORATION IN WHICH EACH REEF VILLA OWNER BECAME THE OWNER OF ONE SHARE WHICH IS INSEPARABLE FROM VILLA OWNERSHIP. THUS EACH OWNER IS AN EQUAL 1%

OF APPROX. 1.2 MILLION, ACQUIRED THE TITLE TO 50 UNSOLD VILLAS, 129+ ACRES OF LAND, AND THE COMMON FACILITIES SUCH AS OFFICE, PRO SHOP, WATER PLANT, BEACH, POOL, TENNIS COURTS, ETC.. AND DON RETURNED TO NORTH CAROLINA.

ON SEPT. 17, 1976, A NEW DECLARATION OF COVENANTS AND PROTECTIVE RESTRICTIONS FOR THE REEF CONDOMINIUM WAS RECORDED. 75% OF THE OWNERS IN BOTH SECTIONS THUS GAVE RAI COMPLETE CONTROL OF ALL ASSETS AND AUTONOMY IN DETERMINING COMMON COSTS AND THE ALLOCATION THEREOF. MOREOVER, THE BY-LAWS OF THE TWO CONDOMINIUM ASSOCIATIONS WERE AMENDED TO PROVIDE FOR A JOINT BOARD OF DIRECTORS AND TO ENGAGE RAI AS THE MUTUAL MANAGING AGENT FOR THE BOTH CONDOMINIUM SECTIONS FOR A PERIOD OF TEN YEARS. A SUBSEQUENT RESOLUTION WAS ADOPTED BY OWNERS EXTENDING THIS AGREEMENT FOR AN ADDITIONAL 10 YEARS, ENDING SEPT. 1, 1996. THUS, SINCE 1976, THIS ANNUAL MEETING CEASED TO BE A SECTION I AND IV HOMEOWNERS' MEETING AND BECAME INSTEAD, AN RAI SHAREHOLDERS MEETING. ALTHOUGH MANY PARTS OF RAI'S BY LAWS ARE IDENTICAL WITH THE HOMEOWNERS, THERE ARE SOME ~~SIGNIFICANT DIFFERENCES~~, AND THE RAI ARTICLES OF INCORPORATION GIVE THAT BODY WIDE OPERATIONAL LATITUDE.

BUT LET'S GO BACK TO 1976.

IN AN EFFORT TO EASE THE HEAVY FINANCIAL BURDEN ON ALL SHAREHOLDERS AT THAT TIME, RAI OFFERED THE 50 UNSOLD VILLAS TO EXISTING SHAREHOLDERS AND THEIR FRIENDS AT A HEAVILY DISCOUNTED PRICE. AS A SALES INDUCEMENT, PURCHASERS WERE TO GET, AT NO EXTRA COST, SHARES IN REEF PROPERTIES, INC., A SPECIALLY CREATED VIRGIN ISLAND CORPORATION TO WHICH RAI HAD DEEDED 35 ACRES OF ITS PROPERTY. THIS WAS DONE IN HOPES OF ACCELERATING THE SALES OF THE REMAINING UNITS WHICH NO LONGER CONTRIBUTED MONTHLY MAINTENANCE FEES.

SIX AND A HALF OF THESE 35 ACRES WERE SUBSEQUENTLY DEEDED TO A MR. MERCER, AT THE TIME THE OWNER OF 14 REEF VILLAS, IN SETTLEMENT OF A SUIT HE HAD BROUGHT AGAINST BOTH CORPORATIONS. IT WAS 1979 BEFORE ALL VILLAS WERE FINALLY SOLD. REEF PROPERTIES, INC. ASKED RAI TO PAY THE TAXES ON IT'S LAND UNTIL THEY COULD RAISE SOME MONEY. THEY WERE NEVER ABLE TO DO SO, AND THE REEF CONTINUED TO PAY \$1836.03 ANNUAL TAX ON PROPERTY IT DID NOT OWN. MAKING A VERY SMART MOVE AT THE TIME, REEF PRESIDENT, BOB MORGAN AND HIS BOARD, WORKED OUT A DEAL WITH RPI. IF RPI WOULD DISSOLVE THEIR CORPORATION AND DEED BACK THEIR REMAINING 28 ACRES TO RAI, WE WOULD FORGIVE THE DEBT, WHICH AMOUNTED TO SLIGHTLY OVER \$9,000.00. 19 OF THOSE REACQUIRED 28 ACRES WERE LATER SOLD FOR \$750,000.00

CHART #5 T/O & MGT. COSTS

Shown here are the four years, each of which were pivotal in the change of character of the Reef:

- 1979 Typical of the "Out of Control" period, with strong individual owners dictating Reef policy according to their personal preferences.
- 1983 Typical of the "Restoration of law and order" period.
- 1987 Typical of the "Return of control by the majority, and in compliance with Governing Documents" period.
- 1991 Pivotal year, owners must decide whether to continue Board Control in compliance with their mandate, or to return to the 1979 concept.

1979 was representative of the "out of control" era of the Reef. There was a "hotel pool" rental system in effect but there was difficulty in getting a sufficient number of owners to participate. Curiously, owners who participated in the pool split a profit even though the annual financial report showed a loss. There were multiple sets of books, multiple bank accounts, and a severe problem of financial accountability since there never had been a certified audit. There was no control of occupancy, noise, or entry to the property. There was no architectural review committee and alterations were made willy nilly as anybody pleased, owners were forced to paint their own villas, there was no maintenance of roofs, virtually no upkeep whatsoever. There was no animal control. Brackish well water was pumped into the water storage tank and flowed into the villas causing serious deterioration to plumbing fixtures, toilets, and hot water heaters. And finally, Reef Properties, Inc. owned almost 30% of our undeveloped common land. Management costs that year totalled \$166,000.00. These include salaries, benefits, telephone, office expense, legal and professional fees, everything associated with management and office operations. Please note that in 1991, twelve years later, these same total management costs were only \$165,000.00.

1983 saw the beginnings of the restoration of law and order. The first formal policy on rental control was established to end the low rent housing project era. An architectural review committee was appointed whose decisions were based upon the governing documents and safeguarding of the original concept. The first board ruling mandating the removal of an illegal exterior was enforced. The first animal control policy was passed limiting pets to a maximum of two per villa. RAI bought back the acreage formerly owned by RPI. All villas were painted, all roofs repaired and recoated, and all roads resurfaced. A reverse osmosis desalinization plant was purchased and began operations.

1987 heralded the complete return of control. The policies of the rental and ARC committees were enforced. The RO system operated well. A new pet rule banning all except grandfathered pets was enacted.

CHART #5

<u>A-T/O</u>	<u>1979</u>	<u>1983</u>	<u>1987</u>	<u>1991</u>
<u>PRES.</u>	GREENE	MORGAN	SHAW	CRB
GEN. MGR.	KONERDING	CARSON	PIRO	----
FIN. ADV.	CRB	CRB	CRB	CRB
RENTAL	HOT.POOL	RENT.PO SELLING BEDROOMS	RENT.POOL	HUGO SBA
A.R.C.	ALTERATIONS OWN PAINT	A.R.COMM PAINTING	A.R.C	INSUR. RECNSR.
MAINT.	NONE	ROOFS ROADS		POOL
ANIMAL CONTROL	NONE	2 PETS	0 PETS	0 PETS
WATER	WELL RPI-35Ac	R.O. RPI/RAI	R.O.	R.O. LAND SALE
MNGT COSTS	166,000	159,000	143,000	165,000
CON. GR. REV.	-0-	32,000	56,000	127,000
RENTAL REV.	-0-	17,000	22,000	17,000



IT WAS AT THIS POINT IN TIME, AROUND 1979, AFTER ELEVEN DIFFERENT MANAGERS HAD BEEN EMPLOYED IN 8 YEARS, THAT THE REEF BOARD BECAME CONCERNED THAT WE WERE ON A DOWNHILL SLIDE INTO A LOW RENT HOUSING PROJECT; CONCERNED ABOUT THE GROWING POPULATION OF WILD AND PET ANIMALS; CONCERNED ABOUT THE LACK OF VILLA MAINTENANCE; CONCERNED ABOUT THE PROLIFERATION OF TOTALLY UNAUTHORIZED EXTERIOR ADDITIONS, SUCH AS EXTRA BEDROOMS, WROUGHT IRON FENCES, GOLF CART GARAGES, EXTENSION OF PATIO AREAS, ETC..

IT WAS FELT THAT THERE WAS NOT ONLY A NEED FOR BETTER AND STRONGER MANAGEMENT, BUT ALSO FOR MORE DEPENDABLE FINANCIAL PLANNING AND TIGHTER CONTROL OF OPERATING COSTS. THE OFFICERS AT THAT TIME CAME TO ME WITH A REQUEST THAT I HELP THEM ANALYZE THEIR FINANCIAL PROBLEMS AND SET UP A FINANCIAL CONTROL SYSTEM WHICH WOULD NOT ONLY LEAD TO REDUCED ASSESSMENTS, BUT ALSO INSURE ADEQUATE MAINTENANCE AND PROVIDE MAXIMUM CONTROL FOR ABSENTEE OWNERS. SINCE THAT TIME, OWNERS HAVE BEEN PROVIDED NOT WITH THE LEGALLY REQUIRED ANNUAL LUMP SUM, BEST GUESS BUDGET, BUT WITH VERY DETAILED BUDGETS, PREPARED WELL IN ADVANCE CONTAINING INPUT FROM STAFF, BOARD, AND FINANCE COMMITTEE. THERE HAVE BEEN NO UNPLEASANT SURPRISE ASSESSMENTS. MOST OF THE NAGGING MAJOR FINANCIAL PROBLEMS HAVE BEEN RESOLVED.

THE BASIC FINANCIAL POLICY INTRODUCED AT THAT TIME WAS BASED UPON THE FOLLOWING TENETS:

1. IF CAROLINA CARIBBEAN HAD NOT GONE BANKRUPT, THEY WOULD HAVE OWNED, AND DECIDED ON THE FEES TO BE CHARGED FOR USAGE, OF ALL RECREATIONAL FACILITIES AND CONCESSIONS WITHIN THEIR COMMON AREA. THEIR FEES WOULD OBVIOUSLY HAVE BEEN SET HIGH ENOUGH SO AS TO INSURE A PROFIT, BECAUSE REEF VILLA OWNERS WOULD NEVER HAVE AGREED TO SUBSIDIZE C.C. RECREATIONAL FACILITIES.
2. OWNERS WHO BOUGHT PRIOR TO 1979, HAD BEEN CONTINUALLY BURDENED WITH HIGH INTEREST COSTS AS WELL AS THE REPAYMENT OF THE PRINCIPLE BORROWED TO FINANCE THE BUYOUT. MONTHLY MAINTENANCE COSTS WERE VERY HIGH-- AND REMEMBER-- MANY OF THEM WERE PAYING THIS COST ON SEVERAL VILLAS WHICH THEY HAD BOUGHT TO FACILITATE THE TAKEOVER. MOST OF THESE OWNERS NEVER REALLY PROFITED WHEN THEY WERE FINALLY ABLE TO UNLOAD THEIR VILLAS.
3. IN ORDER TO REBUILD OWNER EQUITY, CRB PROPOSED ADOPTING A POLICY OF EITHER GRADUALLY CHANGING LIABILITY OPERATIONS INTO INCOME PRODUCING PROFIT CENTERS, OR ELIMINATING THEM ENTIRELY.
4. EVEN THOUGH THE BY LAWS DO NOT REQUIRE IT, CRB INSISTED THERE BE AN ANNUAL CERTIFIED AUDIT AND THAT FULL FINANCIAL DISCLOSURE BE PROVIDED OWNERS.

CHART # 6 -- LOSSES

In 1979, the differential between what the Reef paid for water and what it collected from owners for their usage was a deficit of \$37,000.00. While this had been reduced to \$19,000.00 by 1987, it rose to \$25,000.00 in 1991.

The 1979 differential for electricity was \$50,000.00 and has been reduced to \$21,000.00 with further reductions anticipated when low voltage area lighting is completed.

In 1979 owners lost \$30,000.00 in their maid and laundry business, this was reduced to \$3,000.00 last year.

In 1979, Golf expenses exceeded revenue by \$17,000.00. This differential rose to \$23,000.00 last year. Our best year in this regard was 1987 when we had no golf pro and had a differential of only \$10,000.00.

While not shown on these charts, we also lost a considerable sum of money in the store and restaurant operations in 1979.

Since little or no revenue is generated at this time from beach and pool facilities, these are totally financed as common costs.

In 1979, all of these losses were charged to owners as an assessment.

48%/52% ALLOCATION

Mr. Chasen, our auditor, commented that the 48%/52% allocation of common costs between sections I & IV seemed to him to be well supported both by past practise and financial reasonability. This chart outlines the differential between one and two bedroom assessments, resulting in the 48%/52% allocation of common costs.

CHART #6

LOSSES

COMMON MAINTENANCE COST TO OWNERS

	<u>1979</u>	<u>1983</u>	<u>1987</u>	<u>1991</u>
WATER DIFF.	37,000	30,000	19,000	25,000
ELECT. DIFF.	50,000	27,000	21,000	21,000
MAIDS/LAUND.	30,000	6,000	4,000	3,000
BEACH	5,000	5,500	6,000	6,500
TENNIS	5,000	6,000	6,600	7,200
GOLF	17,000	20,000	10,000	23,000
POOL	6,000	7,000	8,000	9,000

ANNUAL COSTS

48%-52%

	<u>SECTION I</u>	<u>SECTION IV</u>
VILLA MAINT.	12,687	21,125
INSURANCE	46,649	54,521
TAX	8,280	9,720
ALLOC. SUBT.	67,616	85,366
COMM. EXP. NET	<u>106,809</u>	<u>106,809</u>
TOTAL	174,425	192,175
	47.6%	52.4%

CHART #7 -- OWNER EQUITY

These figures are self explanatory, showing the highest, lowest and average selling price for each year. One bedroom villas rising in value from \$34,000.00 to \$123,000.00, and two bedrooms from \$55,000.00 to \$188,000.00. Had one invested \$34,000.00 in the S&P 500 stocks in 1979, instead of a Reef 1 BR villa, the portfolio would have been valued at about \$115,000.00 at the beginning of this year. Likewise, an investment of \$55,000.00 instead of the purchase of a 2 BR Reef villa would have been valued at \$185,000.00 1/1/92.

AUDIT FIGURES

The chart clearly demonstrates that when one subtracts the insurance premium cost from the assessment, net assessments have dropped dramatically from their level of twelve years ago. Had they continued to rise to the same degree as the consumer price index, owners would now be paying in excess of \$1,000.00 per month. When one deducts the amount paid for insurance from the assessment, net assessments have dropped from \$475,000.00 in 1979 to \$250,000.00 in 1991. Insurance costs have been projected at 130,000.00 for the year beginning April 1, 1992. We must raise additional revenues to fund this increase.

CHART #7

OWNER EQUITY

	<u>1979</u>	<u>1983</u>	<u>1987</u>	<u>1991</u>
<u>1BR</u> HIGH	46,000	45,000	110,000	147,000
LOW	27,000	25,000	65,000	90,000
AVE.	13 @ 34,000	15 @ 35,000	5 @ 90,000	4 @ 123,000
ANN. MAINT.	4,704	4,014	4,704	3,523
<u>2BR</u> HIGH	68,000	80,000	170,000	215,000
LOW	48,000	60,000	135,000	147,000
AVE.	9 @ 55,000	6 @ 68,000	2 @ 152,000	4 @ 188,000
ANN. MAINT.	5,160	4,347	5,100	3,817
RET. EARN.	<199,000>	<198,000>	237,000	413,000

AUDIT SUMMARY

ANN. ASSESS.	490,000	418,000	489,000	367,000
- INS. =	475,000	390,000	442,000	250,000
CASH RESERV.	0	18,000	104,000	744,000
ASSETS	511,000	538,000	703,000	1,270,000
DEBT %	89%	89%	46%	51%
DEBT INT.	9+%	9+%	9+%	4.25%
TOT. EXP.	770,000	539,000	665,000	806,000
LESS INS.	<u>-15,000</u>	<u>28,000</u>	<u>47,000</u>	<u>117,000</u>
NET EXP.	755,000	511,000	618,000	689,000

OURS IS A VERY UNIQUE OWNERSHIP ARRANGEMENT, AND ONE WHICH HAS CONCERNED ME EVER SINCE I BECAME A SHAREHOLDER. AS INDIVIDUAL SHAREHOLDERS, WE ARE THE BENEFICIARIES OF SOME VERY VALUABLE FINANCIAL ASSETS. THERE EXISTS, HOWEVER, THE CLEAR RISK THAT SOME SIZEABLE FINANCIAL LIABILITIES COULD BE AMASSED. THE BOARD HAS RATHER UNLIMITED POWERS, MAKING SHAREHOLDERS VERY VULNERABLE SHOULD THE WRONG PERSONS SEIZE CONTROL. THIS SHAREHOLDER VULNERABILITY HAS BEEN THE CRUX OF MY CONCERNS AND IS THE PRIMARY REASON I HAVE DEVOTED THOUSANDS OF HOURS TO THE REEF. AND, YES, WHY I HAVE PERSONALLY KEPT VERY TIGHT CONTROL OF ALL YOUR DEPOSITS, KEEPING THEM IN A CHASE MANHATTAN DEPOSIT ACCOUNT INTO WHICH ALL RECEIPTS OF ANY NATURE MUST FLOW, AND ON WHICH NO CHECKS CAN BE WRITTEN. I HAVE TRANSFERRED THESE FUNDS ONLY INTO THE OPERATING ACCOUNT, ONLY ON MY SIGNATURE, AND ONLY IN CONFORMANCE WITH THE BUDGET. ELEVEN MONTHS AGO, AFTER ASSURING MYSELF OF HIS COMPETENCE AND INTEGRITY, I RELEASED THIS TOTAL AUTHORITY AND NOW SHARE IT WITH THE TREASURER WHO WAS ELECTED AT THAT TIME. THE SECRETARY ALSO SHARES WITH ME THE AUTHORITY TO DRAW EMERGENCY FUNDS FROM THE RESERVE ACCOUNT WHICH IS IN A MERRILL LYNCH CASH MANAGEMENT ACCOUNT. THESE ACCOUNTS HAVE BEEN CONTINUALLY AUDITED BY BRAMMER CHASEN. AND, INCIDENTALLY, REGARDLESS OF WHAT YOU HAVE BEEN LED TO BELIEVE, THERE IS NO PA BANK ACCOUNT

SINCE THE BOARD HAS VIRTUAL AUTONOMY IN SPENDING AND ASSESSING, THE DIRECTORS, AND ESPECIALLY THE PRESIDENT OF RAI, MUST BE PERSONS IN WHOM ALL CAN PLACE IMPLICIT TRUST, AND UPON WHOM ALL CAN DEPEND FOR FAIR TREATMENT AND UNIFORM EXECUTION OF THE ESTABLISHED POLICIES AS MANDATED BY THE COVENANTS, BY LAWS AND RULES AND REGULATION. THESE ELECTED DIRECTORS MUST ALSO HAVE THE SHAREHOLDERS' COMPLETE CONFIDENCE IN THEIR COMPETENCY. SUCH CONFIDENCE CERTAINLY DOES NOT PRECLUDE THE RIGHT OF INDIVIDUAL DISSENT. If the majority of the owners disagree with a newly established policy, IT WILL BE CHANGED. IF A SUBSTANTIAL MINORITY DISAGREES, THEIR INPUT WILL BE ACCEPTED AND THE ISSUE WILL BE RESTUDIED BY THE APPROPRIATE COMMITTEE, AND, SHOULD THE COMMITTEE RECOMMEND IT, THE Directors will consider a change. HOWEVER, UNTIL THE POLICY IS CHANGED ALL OF US ARE BOUND BY IT AND THE BOARD HAS NO CHOICE BUT TO ENFORCE SUCH POLICY.

TODAY, ALL OF YOUR ELECTED OFFICERS AND ALL BUT ONE OF YOUR ELECTED DIRECTORS ARE HERE. OUR PAST PERFORMANCE IS A MATTER OF RECORD. WE HAVE NOT ONLY FULFILLED THE DUTIES AND OBLIGATIONS PLACED UPON US BY OUR GOVERNING DOCUMENTS, BUT ALSO HAVE ATTEMPTED TO DO SO IN AN UNBIASED MANNER. WE RECOGNIZE THAT NOT ALL OF OUR ACTIONS HAVE BEEN GREETED WITH UNIVERSAL ENTHUSIASM, BUT, IN SPITE OF SOME DISCOURAGING LETTERS AND NEGATIVE COMMENTS, WE CONTINUE TO TRY TO BE OPEN TO ALL AVAILABLE OWNER EXPERTISE, AND TO ADMINISTER THE FINANCIAL AND POLITICAL AFFAIRS OF THE REEF IN AN EXEMPLARY DEMOCRATIC FASHION---THAT OF BEING GUIDED BY THE WILL OF THE MAJORITY. THERE ARE 100 OF US AND EACH HAS INDIVIDUAL OPINIONS AND UNIQUE CIRCUMSTANCES. THE BOARD IS THE ELECTED CORPORATE DECISION MAKING BODY AND SOME OF THEIR DECISIONS ARE BOUND TO MAKE SOME SHAREHOLDERS UNHAPPY ENOUGH TO THREATEN SUITS, WHICH SOME HAVE DONE.

THE CAPTAIN OF THE ILL FATED EXXON VALDEZ WAS ACCUSED OF BEING DRUNK WHEN THE MONUMENTAL OIL SPILL OCCURRED THAT COST THE EXXON CORPORATION A \$1 BILLION LEGAL SETTLEMENT. SO--EXXON BANNED EMPLOYEES WITH HISTORIES OF ALCOHOLISM FROM KEY POSTS ABOARD TANKERS. THE CHIEF ENGINEER OF ANOTHER TANKER HAD NO TROUBLE FINDING A LAWYER TO SUE EXXON WHEN HE WAS TAKEN OFF THE SHIP BECAUSE OF HIS HISTORY OF ALCOHOL PROBLEMS. EXXON HAD OFFERED HIM A JOB AT THE SAME PAY ON LAND, EXPLAINING, "YOU CANT PUT PEOPLE WITH ALCOHOL PROBLEMS IN SAFETY SENSITIVE POSITIONS". TO NO AVAIL. A JURY LAST MONTH DECIDED EXXON MUST PAY THREE QUARTERS OF A MILLION DOLLARS IN DAMAGES TO HIM AND HIS WIFE. SO THE CORPORATION IS LIABLE BECAUSE IT DIDN'T REMOVE AN OFFICER WITH A DRINKING PROBLEM, AND ALSO BECAUSE IT DID. THE STAID WALL STREET JOURNAL EDITORIALIZED THAT, ONLY IN AMERICA CAN YOU BE SUED IF YOU DO-AND ESPECIALLY IF YOU DON'T.

WHAT HAS THIS GOT TO DO WITH THE REEF?

IN THE LATE 70'S THE REEF HAD BOARDS THAT DID NOT ENFORCE THE RULES AND DID NOT RESPOND TO THE WISHES OF THE MAJORITY. AS WE HAVE SHOWN, THE RESULTS WERE COMPLETE LOSS OF TENANT CONTROL, COMPLETE LOSS OF OWNER EQUITY, COMPLETE LOSS OF COST CONTROL, AND SOME VERY COSTLY LIABILITY SUITS FILED PRIMARILY BY OWNERS' GUESTS AND RENTERS. WE HAVE ALSO SHOWN YOU THE FINANCIAL BENEFITS THAT HAVE ACCRUED TO ALL OWNERS AS A RESULT OF THE CHANGE IN THE BOARD'S DOING THEIR JOB AS MANDATED BY THE GOVERNING DOCUMENTS.

IT IS UP TO YOU, THE SHAREHOLDERS, TO DECIDE WHICH METHOD IS IN YOUR BEST INTERESTS.

RESPECTFULLY SUBMITTED,

C.R. BRODERICK, PRES., RAI

## COMMITTEE REPORTS

Before introducing the committee chairmen for their reports, Bill Rokos, Vice President, presented to John Fifield (Villa #132) the Reef's first Good Citizen of the Year award in recognition of his leadership which resulted in a roadside trash pick up by a group of 20 Reef owners on February 3rd. Of recyclable parts with dubious biodegradability the value of the award is the sincerity with which it was given.

Charles O'Connor, Chairman, presented the Recreation Committee report, incorporating in it the accomplishments listed in the President's report and naming Pat Coupard and Brenda Doherty as members of the committee.

Ray Conklin, Chairman of the Common Grounds Committee, acknowledged the help of Jean Rokos, Doug Bewick and Kathy and Pete Easton in accomplishing the beautification phases 1 and 2, just completed. This is the first of several budgeted efforts to make a significant improvement in the Reef landscaping.

Guy Reigler, Chairman, explained the Rental Committee's efforts to foster villa occupancy that is more in keeping with the vacation home concept than the low cost rental situation which has existed at times in the Reef's past. Citing overwhelming owner support for the former concept he explained the current Suggested Rental Rate Schedule and Administrative Charge policies as the committee's and the Board's approach to its attainment. He introduced Elaine Bidelspacher who represents many villa owners in the renting of their villas.

First Vice President Ron Vaughn introduced Dr. George Massell, Chairman of the Finance Committee, who in his report invited Leonard Chasen of Brammer, Chasen and O'Connell to answer questions concerning the October 31, 1991 Audit, a copy of which has been sent to each owner. Mr. Chasen concluded his remarks by commending the Reef for "running the condominium as a business" something which most condominium operations fail to do, thereby inflicting upon themselves both money problems and constant agitation.

Dr. Massell also introduced David Ridgway of Marshall & Sterling who also answered questions; and as the representative of our insurance carrier, Continental Insurance Co., now and at the time of Hugo, commended the Reef for its enlightened attention to its insurance coverage throughout the past, thereby enabling it to rebuild sooner and more wholly than other victims of the hurricane.



Dr. Massell completed his Finance Committee report with an introduction of his committee and a personal note expressing his admiration for Bobby Broderick, whose dedication and integrity, business expertise and adherence to regulations have been the stabilizing guidance by which the Reef has weathered the storms of the past few years.

Note: This acknowledgement was met with a standing ovation of approval in response.

Ron Vaughn reported the Architectural Review Committee's activity of the past year and described the procedure of approval or disapproval in detail that made clear that consideration of requests is handled thoroughly.

The Legal and By-Laws Chairman, Phil Salkin, reported that none of the several current matters being litigated poses significant liability to the Reef. Upon the chairman's motion duly seconded, the membership voted to amend the By-Laws viz:

THE REEF ASSOCIATES, INC.  
TEAGUE BAY  
ST. CROIX, U.S.V.I.

ANNUAL MEETING OF SHAREHOLDERS -- FEBRUARY 15, 1992

RESOLUTION

WHEREAS, the By-Laws of The Reef Associates, Inc., provide for amendment of its By-Laws by a vote of eligible shareholders representing a majority of all of the shares issued and outstanding; and

WHEREAS, a notice of intent to amend the By-Laws has been duly submitted to the shareholders for their consideration; and

NOW, THEREFORE, intending to amend these By-Laws, the shareholders herewith enact and adopt the following amendments to the By-Laws:

Article III, Section 1, add paragraph L, "No contract to exceed three years without owner referendum."

Article III, Section 2, paragraph E, delete, "at convenient", replace with, "during regular office hours upon 24 hours prior request in writing."

Article IV, Section 1, add, "and" a Secretary, delete, "and one (1) or more Assistant Secretaries"

Article V, Section 1, add, "Any contract binding the organization for more than 3 years shall be subject to owner referendum."

Article XIII, add, "or its designee"

NOTE: All owners are advised to attach this amendment to their set of By-Laws.

#### CERTIFICATION

I, Margaret M. McKelvey, being the duly elected Secretary of the Reef Associates, Inc., hereby certify that the above amendments were duly adopted at the annual meeting of the Reef Associates, Inc., held at the Reef, Teague Bay, St. Croix, U.S.V.I., on February 15, 1992, at which time a quorum was present.

  
Margaret M. McKelvey, Secretary

Bob Shaw, Chairman of the Nominating Committee, consisting also of Bertha Demas and Tom Cavanaugh, presented the names of Brenda Doherty (113) and Raymond Conklin (116) as the slate of Director nominees. Upon his motion, duly seconded, the Secretary was directed to cast a unanimous vote for the slate. Their terms will expire at the annual meeting in February 1995.

#### QUESTION AND ANSWERS

Prior to taking questions, Mr. Broderick presented a graphic chart which allocated the operating expenses making up the maintenance charge to the one bedroom villas (Section I) as against the two bedroom villas (Section IV). The tally indicates that 47.6% are chargeable to Section I and 52.4% to Section IV, thus the 48/52 percent apportionment which is in practice. Owner James O'Brien's questioning about the factors which were weighed in the allocation were responded to by Leonard Chasen; whereupon Mr. O'Brien

expressed his satisfaction and indicated that with him the matter was closed.

John Fifield's inquiry about the ultimate status of the entity St. Croix, Ltd., the early owner of the Reef, revealed that it was dissolved and succeeded by Reef Associates, Inc. He was assured that all of the Reef property is owned by Reef Associates, Inc., including 3.389 acres (.289 acres of it being the water storage tank site) remaining of our original 19.8 acres above Meggie Hill Road.

Pat Coupard presented positions on the Rental policy and on accessibility to financial information, urging that a meeting of like-minded owners be held with the appropriate committees. Speaking to the matter and rental policy were differing views ranging from Ernie Katz's inclination toward the merit of allowing no rentals to Jim Metro, Jim O'Brien and John Curry who feel that it is not fair to discourage rentals. Because the subject is one of ongoing study, Mrs. Coupard was invited again to meet with the Board to explore the matter, knowing that there is understanding of her position within the Board.

Attorney Wilfredo Geigel, who is the Reef's legal counsel was introduced by Mr. Broderick. He spoke briefly about the Reef's litigation against Alexander Engineering Co., the original window replacement contractor. Although expecting to get judgement against Alexander, Mr. Geigel foresees a problem in receiving the dollar damages awarded to us.

The Seventeenth Annual Meeting of the Reef Associates, Inc. was adjourned at 12:05 p.m.

Respectfully submitted,

  
John Walley, Secretary Pro Temp.

Recreation Committee Annual Report 1992

#1 The Beach:

The condition of the beach has not changed appreciably. The grass is still present and waiting to be removed. The environmental people will not let anything be done without their approval and we are still waiting for permission. Lounge chairs are available at the beach for owners and their guests.

#2 The Golf Course:

The golf course has done well under the direction of Marty and Geri Davis with weekend help from Chris Whitfield. As always, Allain is doing a superb job as greenskeeper. There was a prolonged drought this summer and fall but a few rainstorms have greened the fairways up somewhat. The pond in front of the 1st tee was drained after 20 years and tons of silt and thousands of golf balls were retrieved. (Owners can purchase a tractor scoop of this soil, including golf balls for \$10.00 by requesting at the office.) Golf and cart fees remain the same as last year.

#3 The Pool:

Although the pool was closed for a while this summer for extensive repairs, it is now in fine sparkling condition and should remain so for many years. New lounge chairs have been added and a couple of tables with chairs in the pavilion. Everything there looks very good.

#4 Tennis Courts:

The tennis courts are in very good shape. The wind screening has held up well. The surface and nets are fine. Play is increasing daily.

Although there is still work to be done in some areas, the overall picture is good.

Respectfully submitted,

Charles O'Connor, Chairman

RENTAL AND SALES COMMITTEE ANNUAL REPORT 1992

Although St. Croix's real estate market remained quiet last year the Reef succeeded in producing a gross profit of \$16,584.00 which is applied to general overhead assisting in controlling our monthly maintenance charge.

This amount was generated by the sale of four, two bedroom villas for a total of \$4160.00. These units sold in the range of \$147,000 to \$215,000.

Thirteen long term rentals and the Reef Service Billings to owners delivered an additional \$12,424.00 contributing to our gross profit of \$16584.00.

Respectfully submitted,

Guy Reigler, Chairman

GROUND COMMITTEE ANNUAL REPORT 1992

Hugo wrought its havoc upon us slightly better than two years ago.

The morning after our Reef resembled a war zone, buildings torn apart, levelled or just gone and debris everywhere. Trees and shrubs were askew, broken or uprooted and naked of foliage. Seemingly not a leaf remained, even in the dense bush here on the hill!

A gigantic task of restoration confronted us. The major portion of that project has been completed. Our homes and other structures have been rebuilt or repaired.

The debris generated by Hugo and the reconstruction has been removed, and we are now joined in the process of improving our environment.

This is a program which affects each of us as owners. It calls for a continual upgrading of our properties through a schedule of improvements. These include new plantings, replantings, spraying, fertilizing, pruning and seeding among others.

Funding for this program has been budgeted and some contracts awarded as is evidenced in many areas of our common grounds.

The program is in place and with the continued support of each of you, and our excellent grounds staff, the Reef will be the most desirable condominium on St. Croix.

That small, most important first step has been taken - we have begun!

Respectfully submitted,

G. Ray Conklin  
February 1992

P. S. Anyone interested in becoming a member of this committee please contact Mrs. Rokos, Coupard or Runge. All helpful suggestions are welcome.

Valley Forge, Pa.  
September 12, 1991

Mr. Ronald Vaughn, Chairman RAI Executive Committee  
The Reef, P. O. Box 25565 Gallows Bay  
Christiansted, St. Croix  
U. S. V. I. 00824-5565

Dear Don:

The Reef Nominating Committee, consisting of Mrs. Bertha Demas, Mr. Thomas Cavanaugh and me as chairman, after several meetings and telephone consultations is pleased to submit the following nominations for the position of Director of the Reef Associates, Inc. for consideration at the Owners' Annual Meeting to be held Saturday, February 15, 1992-

Brenda Doherty, owner of Villa 113

G. Raymond Conklin, owner of Villa 116

Both of the above owners have signified in writing their willingness to serve if elected.

Respectfully submitted,

Robert W. Shaw, Chairman  
RAI Nominating Committee

THIS IS OUR REPORT

*RW Shaw*

ANNUAL REPORT

ARCHITECTURAL REVIEW COMMITTEE

FISCAL YEAR 1991-92

"In conformance with Article 13 of the original Declaration of Covenants and protective restriction, no alteration, addition, repair which does not restore the repaired portion to its original state or any other work, including landscaping, shall be performed or caused to be performed by any owner on, about, or to the exterior, or where applicable to the interior, of any villa, or in any portion of the common area or limited common area, not shall any clothes washer or dryer be installed in any portion of a villa, without the owner first having obtained written permission of the Board of Directors ..."

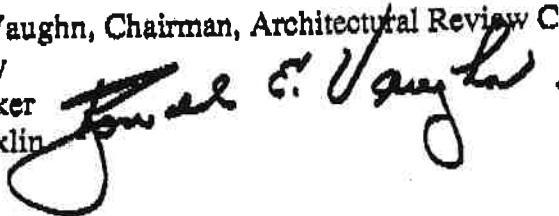
Pursuant to its charge the Architectural Review Committee continues to monitor "repair and restoration" to Owner's villas.

This Committee is in its fifth year of continuing operation to ensure that all owners follow the regulations as adopted by the Reef Associates on February 11, 1988 -- with current upgrades. At times the Committee's recommendations have been presented to the Board of Directors for finalization of the recommendations. Currently, the majority of the villas meet the rules and regulations as published.

All items of repair and restoration caused by hurricane Hugo have been completed on the exterior. We wish to thank and acknowledge the owners who provided constructive comments and suggestions which have been included in the overall restoration project.

On behalf of the Architectural Review Committee and the Board of Directors, we wish to thank you for your cooperation, it was appreciated and indeed the Reef has been returned to pre-"Hugo" status.

Ronald E. Vaughn, Chairman, Architectural Review Committee  
John Walley  
Stephen Baker  
Donald Wexlin





THE REEF ASSOCIATES, INC.

LEGAL COMMITTEE

MATTERS UNDER CONSIDERATION BY LEGAL COMMITTEE FOR CALENDAR YEAR 1991

1. The Committee has reviewed the By-Laws of the Association, has submitted recommendations for amendments, and has reviewed the proposed amendments and prepared necessary Resolutions for shareholder action.

2. The Reef Restaurant -- Duggan. There have been several meetings with representatives of Duggan relating to the issues raised relating to reimbursement to The Reef for repairs completed at the Restaurant as the result of Hugo. Suggestions for amicable resolution have been exchanged, and it is hoped that this matter can be resolved by final meetings in January 1992.

3. Hunton Repairs. An issue raised by Mrs. Hunton was submitted to the Legal Committee. Her villa was visited, recommended repairs and changes were made, and we have been in touch with Mrs. Hunton's legal counsel, have submitted a suggestion for a final resolution of the matter which we believe will be accepted.

4. Nominating Committee. Issues relating to the actions of the Nominating Committee in nominating nominees for election to the Board of Directors has been considered and recommendations given to that Committee.

5. Morille Electrician Suit. The Committee has reviewed pleadings involved in this action brought against The Reef for claimed monies due for electrical repairs. We have met with our St. Croix attorney and have supervised the proceedings to this date.

6. Alexander Controversy. The Committee has been involved in both the criminal and civil aspects of the controversy with the former general contractor and has rendered advice accordingly.

7. Lambaton -- Universal Claim. We have reviewed a claim submitted against The Reef by a material supplier for the Alexander Company. We have reviewed correspondence and rendered advice as to denying liability in this matter.

8. Contract Termination with Manager. We have reviewed proposed exchange of correspondence with the former manager.

9. Lock Box Agreement. We have reviewed and revised the proposed Lease Agreement between The Reef and Lock Box for operation of the store which Lease has been entered into.

10. Villa Access Issues. We have reviewed the By-Laws relating to the right of Reef Management to have access to villas and have issued our opinion accordingly indicating that The Reef is entitled to access to each villa.

11. Smith Claim. We have reviewed releases submitted to settle the Smith Claim and have approved those releases.

While we may not have mentioned each and every matter presented to the Legal Committee, the above are the ones which come to mind.

THE REEF ASSOCIATES, INC.

LEGAL COMMITTEE

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FINANCE COMMITTEE REPORT REEF ASSOCIATES, INC.  
FOR YEAR ENDING OCTOBER 31, 1991

Committee Members

George M. Massell, Chairman  
C. R. Broderick, President  
James P. Sheets, CPA, Treasurer  
Nolan Benner  
Olaff Runge

Our complete audit for the Reef's fiscal year ending October 31, 1991 is herein enclosed for your review. In addition to this report, the President will also cover several aspects of our finances.

For more than ten years our budgetary planning, with exemplary fiscal restraint, has been done by C. R. Broderick, whose expertise in finance and management has helped us surmount mind-boggling obstacles following hurricane Hugo. He works closely with Jim Sheets, our in-house C.P.A., with Laura Venger, our office manager, and with our committee. Buzz Benner and Olie Runge have worked diligently on insurance matters which are currently under review.

Insurance costs have surged from \$50,000 annually pre-Hugo to \$101,000 in this fiscal year. Replacement costs valuations have been appraised by a certified company resulting in an increase of \$800,000 in the current year with expectations of a modest rise in premium costs for 1991-1992. Bid specifications have been sent to two reliable agencies on St. Croix. We are presently awaiting proposals for renewal on April 1, 1992.

Maintenance, supplies, and repair costs have also risen and continue to rise dramatically placing additional stress on last year's (and this year's) expenses. At this point in time, so-called "Hugo related" repairs must end and we must return to normal allocation of owner vs common costs. Otherwise, our maintenance charges will increase. While it is conceivable that not 100% of what owners consider Hugo damage has been repaired, credit should also be given for considerable upgrading and renewal of villas and appliances that had suffered much more from age and normal deterioration than from Hugo.

All reserve funds are on deposit at Merrill-Lynch. As of 10/31/91, the sum of \$682,517 was in cash and short term instruments yielding approximately 7% for the 1991 fiscal year. This fund, from which the budgeted 1991-1992 draw-down is \$48,000, supporting our reduced fixed charges. If alleged "Hugo related" repairs demanded by owners exceed this amount, our 5-year plan of reduced assessments could be in jeopardy.

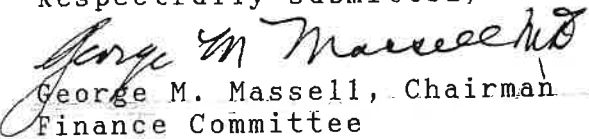
The Reef's debt consists of two hurricane related S.B.A. loans, one of \$156,000 (old) at 5% interest and one of \$486,000 at 4% interest (Hugo).

All owners subsidize all recreational facilities in varying amounts. For the golf course the average four-year deficit ('87-'91) is \$27,700. A budgeted shortfall of \$19,000 is forecast for this year. The actual amount may be higher.

I believe the time has come to reduce the golf deficit and place more emphasis on improving the appearance of the Reef beach. This is under appropriate committee review at present.

In conclusion, should any registered owners desire further explanation of our audit, they may, by appointment, in writing, meet with our Treasurer, Jim Sheets, C.P.A., in accordance with our By-laws.

Respectfully submitted,

  
George M. Massell, Chairman  
Finance Committee