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In the mid-1960's the developer, Carolina Caribbean, established a U.S. Virgin Island shell corporation for the purpose of building a luxury resort to be known as The Reef Condominium on the hills above Teague Bay. This corporation was called St. Croix Ltd.

The first phase -- The fifty two-bedroom units or Section IV was completed in 1969, and on September 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 the fifty one-bedroom units or Section I. It should be noted that on the drawing board were plans for three additional sections -- II, III and V. These were never built. At that time, in late 1971, the villa owners had as their property approximately 7 acres of common land within each section, a 30 foot entry easement from Meggie Hill Road to each section, and those units which had been sold. Title to the remaining 100+ acres, all unsold villas, common buildings, and recreational facilities continued to be held by St. Croix Ltd.

Disaster struck in September of 1972, with the horrific incident at the Fountain Valley (now Carambola) golf course. A number of people lost their lives. Reaction in the press to this tragedy was very widespread, and overnight all tourism halted on St. Croix.

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By September, 1972, Carolina Caribbean claimed to have invested over twelve million dollars in The Reef. However, the Fountain Valley incident made it impossible to sell the remaining fifty villas, and Carolina Caribbean was forced to seek refuge in Chapter 11 of the bankruptcy code.

In 1973, a small group of interested villas owners attempted to buy the complex, but they were unable to raise the required financing. All owners then joined together, and on April 3, 1974, recorded the articles of incorporation for the Reef Associates, Inc. (RAI) a corporation in which each Reef Villa owner became the owner of one share which is inseparable from villa ownership. By paying Carolina Caribbean one dollar and assuming the existing debt of approximately \$1,200,000, RAI acquired the title to fifty unsold villas, 129+ acres, and the common facilities -- including the office, golf pro shop, water plant, beach, pool, and tennis courts.

On September 17, 1976, a new Declaration of Covenants and Protective Restrictions for The Reef Condominium was recorded, and it is this governing document that is in use today. Under this document 75% of the owners in both sections gave RAI complete control of all assets and autonomy in determining common costs and their allocation.

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The by-laws of the two condominium associations (Section I and IV) were amended to provide for a joint Board of Directors and to engage RAI as the mutual managing agent for both Sections for ten years. Subsequent resolutions were adopted by owners at Annual Meetings to extend this agreement for additional ten year periods. Since 1976 the Annual Meeting has been a RAI shareholders meeting and while the RAI by-laws are nearly identical to the homeowners, the RAI articles of incorporation have given the joint Board wide operational latitude.

In 1989 RAI contracted to sell nineteen acres for \$750,000 to Villa Madeleine. The transaction took place in early 1990, and the funds were used to reduce assessments over a five year period, to create a reserve fund for emergencies, to build the sewer plant, and to provide cash for current and future operating expenses.

Prior to Hurricane Hugo in 1989, St. Croix enjoyed over fifty years free of hurricane devastation. Unfortunately, since Hugo, the island has been battered by a series of hurricanes.

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The effect of this increased hurricane activity has been to drive up the cost of storm insurance. At this point, over 20% (or over \$200,000) of The Reef's annual operating budget is used to purchase hurricane insurance. If one can say there is a good side of the increased hurricane activity, it is that RAI has managed every storm's "windfall" to rebuild and strengthen The Reef's infrastructure.

There is no reason to expect any decrease in insurance premiums in the near future, and this substantial expense could be with us indefinitely. It should be noted that hurricane history suggests that there is a cycle for hurricane activity and that a cycle is usually no less than 20 years. Unfortunately, that would suggest that St. Croix may be a little more than half way through the current cycle.