

June 1, 1989

Schooner Bay Condominium
St. Croix, U.S. Virgin Islands

DISCLOSURE PACKAGE

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Insurance:

The Management Agent has obtained the following types of insurance coverage on behalf of the condominium and recreation associations:

- 1) Property Insurance - "All risk" coverage - \$5,700,000 for buildings
- 2) Comprehensive General Liability Insurance - "Board form" coverage \$500,000 combined single limit coverage.
- 3) Excess Indemnity Insurance - "Umbrella" coverage - \$1,000,000 of coverage.
- 4) Worker's Compensation - limits in accordance with Virgin Islands statutory requirements.

The coverage amounts set forth above are subject to certain deductibles.

The cost of property and liability insurance is rapidly increasing and the scope of certain types of coverage is decreasing. Some types of coverage which were available at affordable rates when this Disclosure Package was prepared may not be available at affordable rates -- or possibly at all -- when the original insurance policies expire.

The terms of the written insurance policies actually obtained on behalf of the council of unit owners and Recreation Association will supersede the policy descriptions set forth above. Copies of all insurance policies of the council of unit owners and Recreation Association may be reviewed by buyers upon request as soon as the Developer receives copies of such policies.

The insurance policies described above do not provide all of the insurance protection needed by a typical unit owner. Among other things, the property policy of the council of unit owners:

- 1) Will not cover the personal property brought into the unit by the unit owner, and
- 2) May not cover (a) any "non-standard" improvements made to the unit by the Developer and (b) any improvements made to the unit by the unit owner.

Among other things, the liability policies of the council of unit owners and Recreation Association:

- 1) Will not cover the liability of the unit owner arising from accidents occurring within his or her unit,

GENERAL INFORMATION
CONDOMINIUM ASSOCIATION

As of January 9, 1989, Schooner Bay Condominium consisted of approximately 5 acres of land located in Estate Mt. Welcome on St. Croix, U.S. Virgin Islands and the improvements located on such land including 62 condominium units.

Part or all of an adjacent parcel of land, containing approximately 5.15 acres may be added to the condominium in one or more stages. The Developer has reserved the right to develop up to 32 units on this parcel at any time within 20 years after the condominium was established.

The Developer is not obligated to add any portion of the adjacent parcel to the condominium, however, and any land which is added to the condominium may include such improvements as the Developer, in its sole discretion, elects to construct. The units, if any, that are added to the condominium may be larger or smaller than the existing units and the additional units may be located within buildings designed differently than the existing buildings.

Percentage interests in the common elements and in the common expenses are allocated among the unit owners based upon the relative initial market values of their units. More precisely, the percentage interests applicable to each unit from time to time will equal the proportion (calculated as a percentage) which the initial market value of the unit bears to the total initial market value of all units then contained within the condominium. Each two bedroom unit now or hereafter located within the condominium is deemed to have an initial market value of \$165,000, and each three bedroom unit now or hereafter located within the condominium is deemed to have an initial market value of \$198,000. Each two bedroom unit has either a percentage interest factor of 1.5576 or 1.5577 depending on the unit and each three bedroom unit has a percentage interest factor of 1.8692.

The number of votes appurtenant to each unit equals the product of the percentage interest factor appurtenant to the unit, times 100. Each two bedroom unit has either 155.76 or 155.77 votes, depending on the unit and each three bedroom unit has 186.92 votes.

Recreation Association:

The Developer has conveyed two additional parcels comprising approximately 0.7 acres to the Schooner Bay Recreation Association, Inc., a non-profit corporation owned wholly by Schooner Bay Condominium unit owners. The Recreation Parcels

include two swimming pools, a jacuzzi, cabana, and one tennis court. An additional tennis court may be built by the Developer and conveyed to the Recreation Association in the future.

The Recreation Association is a non-stock corporation whereby each member, or unit owner, is entitled to one vote, regardless of the number of condominium units owned by such member, and regardless of the number of votes such member is entitled to cast at condominium association meetings.

The Recreation Association is responsible for the operation and maintenance of all recreational facilities. Annual charges collected from members, or unit owners, cover the expense of pool operations, power, water, grounds maintenance, repairs and various administrative expenses.

Annual Operating Budget:

The current annual operating budget is attached hereto as Exhibit A. The budget is prepared with assistance from Antilles Resort Management, Inc., the Management Agent.

The current condominium charges are \$295.00 per month for each 2-bedroom unit and \$354.00 per month for each 3-bedroom unit.

The condominium obtains water from the local government through underground pipes and pays for such water as a common expense. Water is also supplied by cisterns located within the condominium. Water is furnished to each unit owner on a metered basis, and each unit owner is charged for water furnished to his unit.

The budget includes the annual charge imposed by the Recreation Association, and does not include expenditures for real property taxes and other items for which each unit owner is individually responsible.

If the board of directors determines at any time that the annual assessment then in effect or the reserve fund then existing are inadequate, or that additional funds are otherwise required for the payment of common expenses, the board of directors may levy a special assessment against the unit owners.

Water is furnished to the common elements and units in the manner described above. Electricity is furnished to the general common elements through one or more central meters, and the board of directors must pay, as a common expense, all charges for the use of such electricity. Electricity, telephone service and cable TV service are furnished separately to each unit. Each unit owner is required to pay the appropriate utility company directly for the electricity and telephone service provided to his or her unit. The council of unit owners pays as a common expense, all charges for cable TV service.

- 2) May not provide protection in an amount sufficient to completely cover the unit owner's proportionate share of the common liability for an accident occurring on the common elements, and
- 3) May not cover the liability of the unit owner regarding any injury for which the unit owner is directly at fault, even if such injury occurs upon the common elements or recreational facilities.

The Developer and the Management Agent recommend that each unit owner obtain one or more policies of "unit owner" property and liability insurance to supplement the "blanket" policies of the council of unit owners and Recreation Association. Such "unit owner" insurance may help reduce the unit owner's exposure to risks not covered by the "blanket" insurance. The buyer should consult an insurance agent who is knowledgeable about condominium insurance for advice concerning these matters.

The Developer and the Management Agent also recommend that the council of unit owners or Recreation Association, as applicable, obtain Directors and Officer Liability Insurance as soon as any person who is not affiliated with the Developer or the Management Agent becomes a director or officer of the council of unit owners or Recreation Association.

EXHIBIT A

2: SCWOONER BAY ASSOCIATION - FISCAL 1989 BUDGET	
3:	
4:	
5:	TOTALS
6:	
7: REVENUES	
8: =====	
9: # OF UNITS	
10: COMMON CHARGES	217220.00
11: OWNERS' REPAIRS	6000.00
12:	
13: TOTAL	223220.00
14:	
15: OPERATING EXPENSES	
16: =====	
17: MAINTENANCE WAGES (3.5)	51000.00
18: PAYROLL TAXES	6885.00
19: BUILDING MAINTENANCE	17850.00
20: GROUNDS MAINTENANCE	9000.00
21: POOL MAINTENANCE	3750.00
22: CABLE TV	7025.00
23: EXTERMINATING	4100.00
24: RUBBISH REMOVAL	4425.00
25: SECURITY	2700.00
26: UTILITIES	9000.00
27: WATER	1500.00
28: MISCELLANEOUS	.00
29:	
30: SUB-TOTAL	117235.00
31:	
32:	
33: ADMINISTRATIVE	
34: =====	
35: MANAGEMENT FEES	35244.00
36: OFFICE WAGES	12990.00
37: PAYROLL TAXES	1740.00
38: ACCOUNTING	2100.00
39: AUTO	1200.00
40: DEPRECIATION	9000.00
41: INSURANCE	22980.00
42: LEGAL	900.00
43: OFFICE & POSTAGE	1800.00
44: TAXES - REAL ESTATE	1380.00
45: TRAVEL - B OF DIR	600.00
46: MISCELLANEOUS	.00
47:	
48: SUB-TOTAL	89934.00
49:	
50: OTHER EXPENSE	
51: =====	
52: INTEREST	20910.00
53: REPLACEMENT RESERVE	6000.00
54:	
55: SUB-TOTAL	26910.00