

PROJECTED STATEMENT OF INCOME
 Morris Bay Yacht Club - 1993

GROSS SALES	Proposed Budget 93	Actual Period 1-9 & Est. P.10-12 92	Amount of Difference	Percent Change
4200 Storage - Inside	\$6,200.00	\$4,681.33	\$1,518.67	24.49%
4410 Storage - Outside	\$33,050.00	\$25,163.47	\$7,886.53	11.17%
4020 Storage - Wet	\$2,000.00	\$0.00	\$2,000.00	100.00%
4050 Member Storage - Inside	\$14,500.00	\$13,256.67	\$1,243.33	7.89%
4100 Dockage	\$33,000.00	\$30,297.85	\$2,702.15	6.37%
4150 Club House Fee	\$2,550.00	\$2,400.00	\$150.00	5.88%
4200 Boat Handling	\$7,000.00	\$5,119.19	\$1,880.81	26.87%
4210 Member Boat Handling	\$2,000.00	\$2,917.71	(\$917.71)	-45.89%
4220 Bait Out	\$0.00	\$400.00	(\$400.00)	N/A
4225 Service Labor	\$3,500.00	\$2,738.00	\$761.70	21.75%
4230 Service Materials	\$500.00	\$570.05	(\$70.05)	-14.01%
4300 Groceries Taxable	\$8,000.00	\$7,026.38	\$973.62	11.06%
4341 Groceries Non-Taxable	\$11,600.00	\$10,601.38	\$998.62	8.61%
4302 Gen. Merchandise Taxable	\$5,400.00	\$8,393.14	\$1,996.86	16.71%
4303 Gen. Merchandise Non-Taxable	\$2,500.00	\$1,435.02	\$1,064.98	40.20%
4344 Beer	\$3,300.00	\$2,235.60	\$1,064.40	32.25%
4400 Gas Non-Members	\$21,000.00	\$10,973.89	\$2,026.11	9.65%
4401 Gas Members	\$50,500.00	\$82,357.49	\$2,142.51	3.00%
4402 Oil	\$400.00	\$333.52	\$66.48	16.62%
4440 Pump Out - Members	\$3,700.00	\$2,350.40	\$1,349.60	3.10%
4449 Pump Out	\$3,600.00	\$3,204.29	\$395.71	8.77%
4550 Rental Building	\$8,400.00	\$0,400.00	\$8,000.00	0.00%
4600 Interest Income	\$600.00	\$533.10	\$66.90	11.15%
4700 Interest on Member Loans	\$70,000.00	\$76,009.96	(\$6,009.96)	-8.01%
4800 Finance Charges	\$000.00	\$2,568.47	(\$2,568.47)	-221.00%
4800 Rental Commission	\$12,000.00	\$11,507.98	\$492.02	4.10%
4850 Slip Sale Commission	\$4,000.00	\$2,340.00	\$1,660.00	41.50%
4675 Member Dues	\$176,500.00	\$378,001.00	(\$201,501.00)	-0.40%
4680 Lake George Park Dock Fee	\$11,500.00	\$11,500.00	\$0.00	0.00%
4659 Miscellaneous	\$0.00	(\$292.25)	\$292.25	N/A
TOTAL GROSS SALES	\$740,916.00	\$721,688.52	\$21,257.48	3.64%
COST OF GOODS SOLD				
5300 - 5399 Store	\$22,400.00	\$20,750.47	\$1,649.53	7.19%
5400 - 5420 Gas & Oil	\$59,000.00	\$53,725.60	\$5,274.40	8.94%
TOTAL COST OF GOODS SOLD	\$81,400.00	\$74,476.07	\$6,923.93	8.46%
GROSS PROFIT	\$657,516.00	\$647,172.45	\$20,373.55	3.05%

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PROJECTED STATEMENT OF INCOME
Harris Bay Yacht Club - 1993

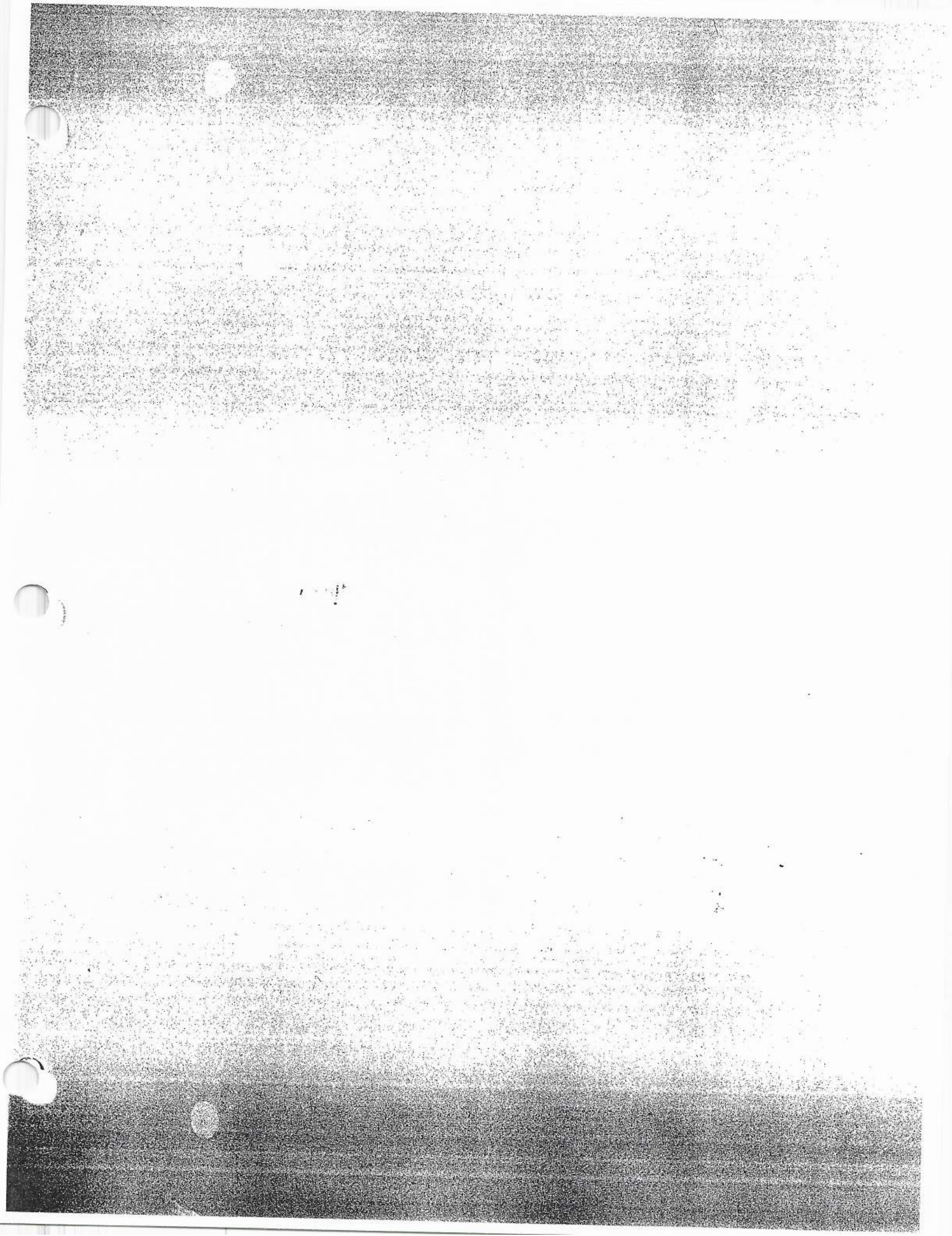
EXPENSES	Proposed Budget 93	Actual Period 1-9 & Est. P.10-12 92	Amount of Difference	Percent Change
PATROLL				ERR
			\$0.00	ERR
6005 Office	\$19,000.00	\$18,137.69	\$862.31	4.54%
6015 Store			\$0.00	ERR
6016 Gas Dock			\$0.00	ERR
6040 Operation		\$2,307.69	(\$2,307.69)	ERR
6047 Security			\$0.00	ERR
TOTAL PATROLL COST	\$19,000.00	\$20,445.38	(\$1,445.38)	ERR
GENERAL ADMINISTRATIVE				ERR
				ERR
6100 Supplies - Office	\$2,400.00	\$2,936.48	(\$536.48)	-22.35%
6105 Supplies - Computer	\$600.00	\$0.00	\$600.00	100.00%
6110 Postage	\$1,000.00	\$1,096.09	\$703.91	39.11%
6115 Equipment - Office	\$200.00	\$200.63	(\$0.63)	-0.31%
6120 Equipment - Computer	\$1,500.00	\$3,269.74	(\$1,769.74)	-117.98%
6125 Telephone	\$4,500.00	\$4,509.58	(\$9.58)	-0.21%
6149 Miscellaneous Office	\$0.00	\$185.13	(\$185.13)	ERR
6150 Accounting	\$8,000.00	\$13,945.95	(\$5,945.95)	-74.32%
6155 Legal	\$30,000.00	\$36,064.88	(\$6,064.88)	-20.22%
6165 Bank Charges	\$2,040.00	\$1,569.83	\$470.17	23.05%
6170 Subscriptions	\$100.00	\$0.00	\$100.00	100.00%
6180 Travel	\$0.00	\$0.00	\$0.00	ERR
6185 Meal	\$0.00	\$0.00	\$0.00	ERR
6186 Professional Development	\$300.00	\$175.00	\$125.00	41.67%
6199 Miscellaneous Administration	\$0.00	\$203.63	(\$203.63)	ERR
TOTAL GENERAL ADMINISTRATIVE	\$51,440.00	\$64,156.94	(\$12,716.94)	-24.72%
6190 TOTAL INSURANCE	\$50,400.00	\$49,794.23	\$605.77	-1.20%
6195 TOTAL MANAGEMENT FEE	\$160,100.00	\$142,508.00	\$17,600.00	10.99%
6199 SALES & MARKETING	\$3,600.00	\$3,327.87	\$272.13	7.56%

Serris Bay Yacht Club - 1993

EXPENSES	Proposed Budget '93	Actual Period 1-9 & Est. P. 10-12 '93	Amount of Difference	Percent Change
PAYROLL				ERR
			\$8.42	ERR
6005 Office	\$15,000.00	\$18,137.59	\$367.21	4.51%
6015 Store			\$2.00	ERR
6016 Gas Dock			\$0.00	ERR
6040 Operation		\$2,307.59	(\$2,307.59)	ERR
6067 Security			\$0.00	ERR
TOTAL PAYROLL COST	\$15,000.00	\$20,445.30	(\$1,445.32)	ERR
GENERAL ADMINISTRATIVE				ERR
				ERR
6100 Supplies - Office	\$2,400.00	\$2,935.48	(\$535.48)	-22.35%
6105 Supplies - Computer	\$600.00	\$0.00	\$600.00	100.00%
6110 Postage	\$1,000.00	\$1,075.69	\$70.31	35.11%
6115 Equipment - Office	\$200.00	\$200.63	(\$0.63)	-0.31%
6120 Equipment - Computer	\$1,500.00	\$3,269.74	(\$1,769.74)	-117.98%
6125 Telephone	\$4,500.00	\$4,569.58	(\$9.58)	-0.21%
6149 Miscellaneous Office	\$0.00	\$185.13	(\$185.13)	ERR
6150 Accounting	\$0,000.00	\$13,945.95	(\$5,945.95)	-74.32%
6155 Legal	\$20,000.00	\$16,061.28	(\$6,061.86)	-20.22%
6165 Bank Charges	\$2,000.00	\$1,563.83	\$470.17	23.05%
6170 Subscriptions	\$100.00	\$0.00	\$100.00	100.00%
6180 Travel	\$0.00	\$0.00	\$0.00	ERR
6185 Meal	\$0.00	\$0.00	\$0.00	ERR
6186 Professional Development	\$300.00	\$175.00	\$125.00	11.67%
6199 Miscellaneous Administration	\$4.00	\$203.63	(\$203.63)	ERR
TOTAL GENERAL ADMINISTRATIVE	\$51,440.00	\$64,156.94	(\$12,716.94)	-24.72%
6190 TOTAL INSURANCE	\$50,000.00	\$49,794.23	\$605.77	1.20%
6195 TOTAL MANAGEMENT FEE	\$150,100.00	\$142,500.00	\$17,600.00	10.99%
6430-6499 SALES & MARKETING	\$3,600.00	\$3,327.87	\$272.13	7.56%
TOTAL NET INCOME	(\$13,771.00)	(\$99,217.74)	\$85,446.74	-624.48%

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HARRIS BAY YACHT CLUB, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991

Gregory H. Lurie
Certified Public Accountants

C O N T E N T S

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Albany, New York
April 26, 1993

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Harris Bay Yacht Club, Inc.:

We have audited the accompanying balance sheets of Harris Bay Yacht Club, Inc. as of December 31, 1992 and 1991, and the related statements of loss, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Harris Bay Yacht Club, Inc. as of December 31, 1992 and 1991, the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The supplementary information on future major repairs and improvements on page 11 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Certified Public Accountants

Gregory H. Lurie
Certified Public Accountants

HARRIS BAY YACHT CLUB, INC.

BALANCE SHEETS

- ASSETS -

	<u>DECEMBER 31,</u>	
	<u>1992</u>	<u>1991</u>
CURRENT ASSETS:		
Cash	\$ 52,465	\$ 31,825
Accounts receivable (Note 1)	65,631	79,661
Interest receivable	17,016	21,002
Notes receivable - members (Notes 2 and 3)	43,050	42,041
Inventory	15,458	5,601
Income tax refund receivable	1,249	315
Prepaid expenses	13,600	14,983
Total current assets	<u>\$ 208,469</u>	<u>\$ 195,428</u>
PROPERTY AND EQUIPMENT (NOTES 1 AND 3):		
Land	\$ 2,308,894	\$ 2,308,894
Buildings and improvements	1,137,124	1,136,036
Docks	743,656	743,656
Equipment	148,452	145,574
Total	<u>\$ 4,338,126</u>	<u>\$ 4,334,160</u>
Less: accumulated depreciation	641,346	553,829
Net property and equipment	<u>\$ 3,696,780</u>	<u>\$ 3,780,331</u>
OTHER ASSETS:		
Notes receivable - members (Notes 2 and 3)	\$ 443,140	\$ 556,840
Loan acquisition costs - net of accumulated amortization of \$54,031 and \$46,742 as of December 31, 1992 and 1991, respectively	13,538	8,470
Total other assets	<u>\$ 456,678</u>	<u>\$ 565,310</u>
TOTAL ASSETS	<u>\$ 4,361,927</u>	<u>\$ 4,541,069</u>

- LIABILITIES AND MEMBERS' EQUITY -

CURRENT LIABILITIES:		
Current installments of long-term notes payable (Note 3)	\$ 56,633	\$ 61,349
Accounts payable	8,582	36,444
Deposits on rentals	28,760	--
Accrued expenses and other liabilities	14,319	101,679
Deferred revenue	85,341	23,220
Total current liabilities	<u>\$ 193,635</u>	<u>\$ 222,692</u>
LONG-TERM NOTES PAYABLE (NOTE 3)	<u>1,790,560</u>	<u>1,845,036</u>
Total liabilities	<u>\$ 1,984,195</u>	<u>\$ 2,067,728</u>
MEMBERS' EQUITY:		
Membership interests	\$ 4,237,006	\$ 4,234,118
Accumulated deficit	<u>(1,859,274)</u>	<u>(1,760,777)</u>
Total members' equity	<u>\$ 2,377,732</u>	<u>\$ 2,473,341</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 4,361,927</u>	<u>\$ 4,541,069</u>

see notes to financial statements which are an integral part hereof.

HARRIS BAY YACHT CLUB, INC.

STATEMENTS OF LOSS

	<u>YEAR ENDED</u>	
	<u>DECEMBER 31,</u>	
	<u>1992</u>	<u>1991</u>
REVENUE:		
Membership dues	\$ 376,500	\$ 369,375
Store and gas	135,300	153,090
Interest on member loans	73,627	78,652
Other	31,659	50,352
Storage fees	44,772	50,104
Dock rentals	27,073	30,337
Commissions	15,870	--
Total	<u>\$ 704,801</u>	<u>\$ 731,910</u>
OPERATING EXPENSES:		
Interest	\$ 190,847	\$ 207,028
Management fee (Note 5)	142,508	84,000
Store and gas	90,115	114,041
Depreciation	87,517	78,600
Maintenance	82,773	76,337
Insurance	48,768	56,619
Professional services	45,825	28,914
Real estate taxes	34,129	31,575
Payroll	20,448	--
Office supplies and expenses	21,817	12,807
Heat and utilities	17,800	13,267
Amortization of loan acquisition costs	7,289	13,872
New York State franchise tax	5,472	5,199
Bad debts	3,081	(8,496)
Payroll taxes	2,116	--
Lake George Park dock tax	1,045	940
Advertising	1,253	356
Equipment rentals	495	1,752
Outside labor	--	93,127
Total	<u>\$ 803,298</u>	<u>\$ 809,938</u>
NET LOSS	<u>\$ 98,497</u>	<u>\$ 78,028</u>

See notes to financial statements which are an integral part hereof.

HARRIS BAY YACHT CLUB, INC.

STATEMENTS OF MEMBERS' EQUITY

	<u>YEAR ENDED DECEMBER 31, 1992</u>		
	<u>Members'</u> <u>Interest</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total Members</u> <u>Equity</u>
Beginning balance	\$ 4,234,118	\$ (1,760,777)	\$ 2,473,341
Net loss	--	(98,497)	(98,497)
Additions (deletions) of membership interest - net	<u>2,888</u>	<u>--</u>	<u>2,888</u>
Ending balance	<u>\$ 4,237,006</u>	<u>\$ (1,859,274)</u>	<u>\$ 2,377,732</u>

	<u>YEAR ENDED DECEMBER 31, 1991</u>		
	<u>Members'</u> <u>Interest</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total Members</u> <u>Equity</u>
Beginning balance	\$ 4,278,831	\$ (1,682,749)	\$ 2,596,082
Net loss	--	(78,028)	(78,028)
Additions (deletions) of membership interest - net	<u>(44,713)</u>	<u>--</u>	<u>(44,713)</u>
Ending balance	<u>\$ 4,234,118</u>	<u>\$ (1,760,777)</u>	<u>\$ 2,473,341</u>

See notes to financial statements which are an integral part hereof.

HARRIS BAY YACHT CLUB, INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ 98,497	\$ 78,028
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and amortization	\$ 94,806	\$ 92,472
Allowance for doubtful accounts	(1,075)	(8,770)
(Increase) decrease in current assets:		
Accounts receivable	41,100	7,465
Accounts receivable - rental	(25,995)	--
Interest receivable	3,986	7,845
Inventory	(9,857)	6,537
Income tax refund receivable	(934)	(315)
Prepaid expenses	1,383	1,137
Increase (decrease) in current liabilities:		
Accounts payable	(27,862)	31,543
Deposits on rentals	28,760	--
Accrued expenses and other liabilities	(87,360)	42,402
New York State franchise tax payable	--	(329)
Deferred revenue	62,121	(3,864)
Total adjustments	<u>\$ 79,073</u>	<u>\$ 176,123</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (19,424)</u>	<u>\$ 98,095</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal received on member loans	\$ 87,829	\$ 166,404
Purchase of property and equipment	<u>(3,966)</u>	<u>(161,404)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 83,863</u>	<u>\$ 5,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term notes payable	\$ --	\$ 60,000
Net principal reduction on long-term notes payable	(59,192)	(175,829)
Proceeds from sale of members interests	27,750	20,500
Loan acquisition costs	<u>(12,357)</u>	<u>--</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>\$ (43,799)</u>	<u>\$ (95,329)</u>
NET INCREASE IN CASH	\$ 20,640	\$ 7,766
CASH AT BEGINNING OF YEAR	<u>31,825</u>	<u>24,059</u>
CASH AT END OF YEAR	<u>\$ 52,465</u>	<u>\$ 31,825</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 275,436	\$ 163,448
Income taxes	<u>\$ 6,406</u>	<u>\$ 5,843</u>

See notes to financial statements which are an integral part hereof.

Gregory H. Lurie
Certified Public Accountants

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History

The Club was incorporated in 1984. The Club owns and operates a boating facility in Lake George, New York. Individuals purchase membership interests in the Club which include the right to use dock slips owned by the Club. The Club also runs a brokerage service for the rental of members' boats and dock slips.

Accounts Receivable

Accounts receivable is presented net of an allowance for uncollectible accounts of \$4,155 and \$5,230 at December 31, 1992 and 1991, respectively. Accounts receivable consist of amounts due from members and various other amounts.

Accounts receivable - rental represents amounts due from non-members for subleasing club owned boat slips.

Inventory

Inventory is stated at the lower of cost or market on the first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost and depreciated for financial and tax reporting purposes using the straight-line and accelerated methods. Estimated useful lives are as follows:

Buildings and improvements	18 - 31 years
Docks	25 years
Equipment	5 years

Maintenance, repairs and minor replacements are charged to operations as incurred while major additions and improvements are capitalized. When assets are sold, retired, or otherwise disposed of, the applicable costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

Loan Acquisition Costs

Loan acquisition costs are amortized on a straight-line basis over the term of the related loan.

Revenue Recognition

Rental and storage fees are recognized as revenue when the services are provided. Membership fees are recognized over the applicable membership period with the unearned portion recorded as deferred revenue.

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Members' Equity

Members' equity results from the sale of membership interests under the terms of an offering plan dated August 2, 1983. Membership interests have been sold to members at various prices ranging from \$8,625 to \$43,300, and are stated net of costs associated with attracting and admitting members.

NOTE 2: NOTES RECEIVABLE - MEMBERS

Notes receivable represent amounts due from members from the sale of membership interests in the Club, and have been pledged as additional collateral to secure the mortgage on Club property as described in Note 3. The notes are payable in sixty quarterly installments of various amounts, including interest at 14%.

NOTE 3: LONG-TERM NOTES PAYABLE

<u>December 31,</u>	
<u>1992</u>	<u>1991</u>

Mortgage payable to Key Bank, N.A. with interest at 10.5%. The mortgage is secured by real property and the assignment of all notes receivable. The loan required quarterly payments of \$63,008, including interest, amortized over fifteen years with a balloon payment due in 1992. In November of 1992, this note was renegotiated and consolidated with the renovation loan (see following paragraph). The terms of the new consolidated mortgage require monthly fixed principal payments plus interest. The fixed monthly principal payment increases over the life of the loan and is \$4,679 at December 31, 1992. Interest is charged at the rate of prime plus 2% with a floor of 9%. The unpaid balance of the loan will become due on November 13, 1997. The Club is required to make additional principal payments of all note receivable member payments.

\$ 1,847,193 \$ 1,567,460

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

NOTE 3: LONG-TERM NOTES PAYABLE - CONTINUED

Under the terms of a financing agreement with Key Bank, N.A., the Club could borrow up to \$500,000 for renovation of the docks. The Club paid interest only until 1990, when payments of principal and interest became due quarterly, based upon a 5 year amortization schedule. Quarterly principal payments were \$33,747 and continued through 1995. The loan was secured by real property and the assignment of notes receivable. The note was renegotiated and consolidated with other debt in November, 1992 (see above).

-- 335,462

Installment note payable, secured by a transportation vehicle, payable in monthly installments of \$405, including interest at 12%. The note was repaid in 1992.

	--	3,463
Total	\$ 1,847,193	\$ 1,906,385
Less: current portion	56,633	61,349
Long-term portion	<u>\$ 1,790,560</u>	<u>\$ 1,845,036</u>

The aggregate maturities of long-term notes payable are as follows:

Year ending December 31, 1993	\$ 56,633
Year ending December 31, 1994	62,564
Year ending December 31, 1995	69,115
Year ending December 31, 1996	76,352
Year ending December 31, 1997	1,582,529
Total	<u>\$ 1,847,193</u>

Classification of notes payable at December 31, 1991 is based on terms of the November, 1992 debt refinancing.

NOTE 4: INCOME TAXES

The Club has available at December 31, 1992, the following federal tax loss carryforwards and tax credits which are available to be applied against future taxable income:

	<u>Amount</u>	<u>Expiration Year</u>
Net operating loss	\$ 1,803,432	1999 - 2005
Investment tax credits	\$ 5,088	1999 - 2000

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

NOTE 4: INCOME TAXES - CONTINUED

Unused net operating losses reduce future taxable income on a dollar-for-dollar basis. Investment tax credits reduce Federal income taxes on a dollar-for-dollar basis, subject to certain limitations.

NOTE 5: COMMITMENTS

The Club has entered into various agreements as follows:

Management Agreement

The Club had a management agreement with American Marinas, Inc. (AMI) for the management of the yacht club. The agreement was to be effective until December 31, 1994 and provided for an annual payment to AMI of \$84,000 in 1991. The Club terminated this agreement in December, 1991 (see Note 6). The Club entered into an agreement with TTDM Management Co., Inc. in March, 1992 effective until December, 1992. This agreement was renewed for 1993. Minimum management fees under this agreement will be \$160,108 for 1993.

Commissioning and Decommissioning Agreement

The Club has a commissioning and decommissioning agreement with Michael's Marine Service effective until August 31, 1994 providing for annual payments of \$30,000 for services. Michael's Marine Service also rents garage space from Harris Bay Yacht Club, Inc. under a lease that expires in August, 1994.

Executory Contracts

As a service to members, the Club acts as an agent for the rental of member-owned slips and charges a percentage of the rental as a fee. Receivables for these contracts are not recorded on the Club's books. Partial payments received are recorded as deposits on rentals. When full payment is received, the Club recognizes its fee and payment is due to the member. At December 31, 1992, unbooked receivables for signed contracts totalled \$90,816. The Club had received and recorded \$25,760 as payments deposited on these contracts. Of these amounts, \$104,335 will be due to the members upon full receipt of the contract amounts.

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991

NOTE 6: CONTINGENCIES

The Club is involved in a legal action with American Marinas, Inc. American Marinas, Inc. has claimed significant, but unspecified, damages because of the termination of the management agreement. The Club has assessed a counter claim against American Marinas, Inc. In the opinion of management and legal counsel, it is unlikely that American Marinas, Inc. will be successful in its claim. The Club is seeking to have this matter resolved through arbitration.

Due to the uncertainty of these matters, there has been no provision made in the accompanying financial statements for any additional fees or legal settlements.

The Club was involved in a dispute with the Lake George Park Commission regarding their classification of Club docks and the imposition of annual dock fees. The Club was unsuccessful in defending its position and was required to pay an additional \$10,626 in dock fees (for the years 1988 through 1990). These fees were accrued as an expense in 1991.

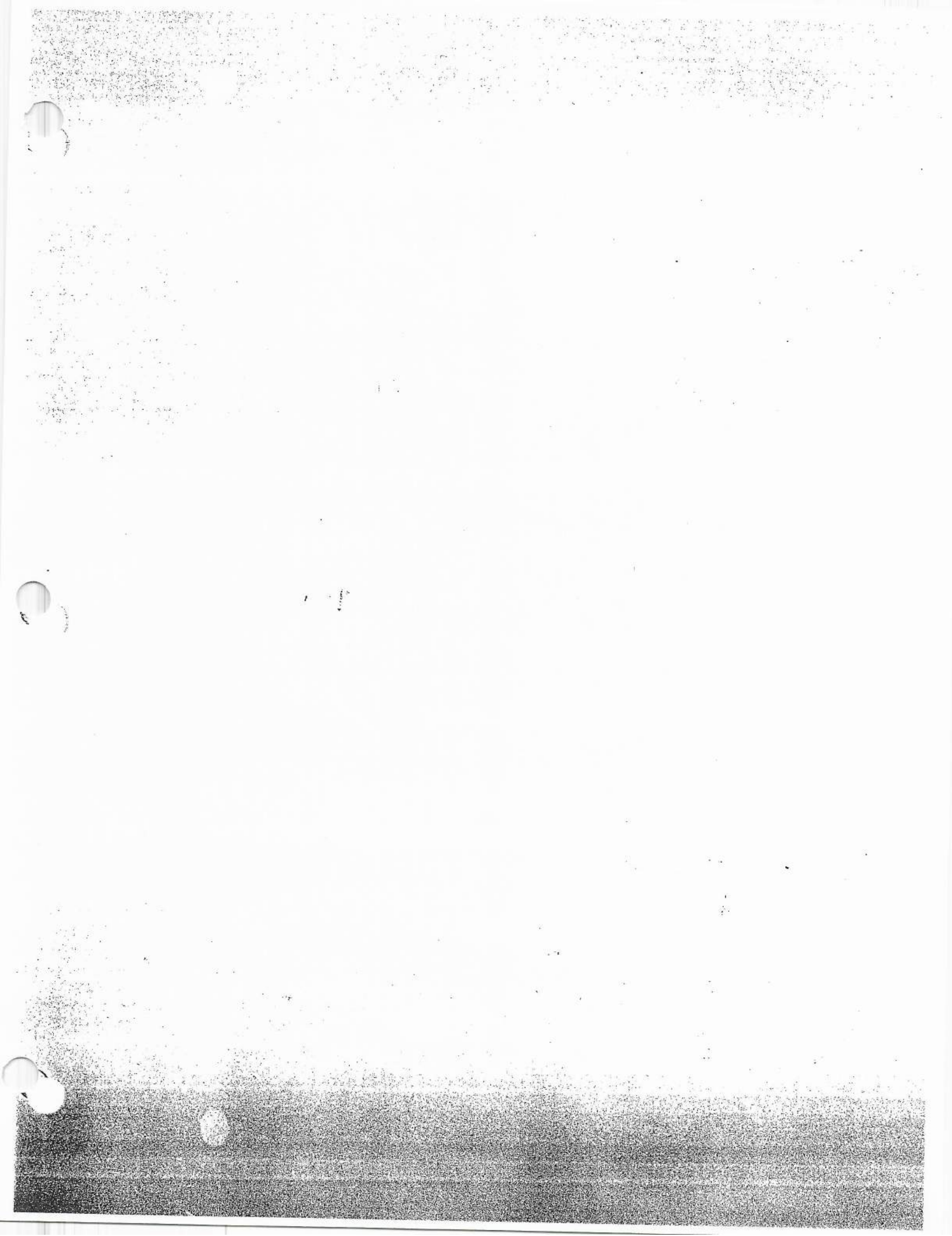
HARRIS BAY YACHT CLUB, INC.

SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND IMPROVEMENTS

DECEMBER 31, 1992
(UNAUDITED)

The Board of Directors conducted a study in 1992 to estimate future repairs and improvements to be made to the clubhouse and surrounding property over the next five years. These repairs and improvements will be funded through special assessments which begin in 1993 and continue through 1997. No funds have been accumulated for repairs and improvements prior to 1993. Future major repairs and improvements over this five year period are as follows:

<u>Component</u>	<u>Estimated Current Replacement Costs</u>
Clubhouse	\$ 190,500
Storage, yard and site work	<u>123,250</u>
Total	<u>\$ 313,750</u>



HARRIS BAY YACHT CLUB, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 1993 AND 1992

Gregory H. Lurie
Certified Public Accountants

C O N T E N T S

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Albany, New York
March 14, 1994

INDEPENDENT AUDITORS' REPORT

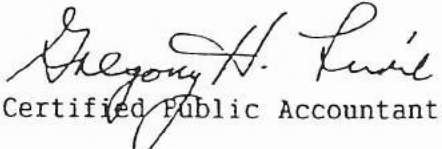
To the Board of Directors of Harris Bay Yacht Club, Inc.:

We have audited the accompanying balance sheets of Harris Bay Yacht Club, Inc. as of December 31, 1993 and 1992, and the related statements of income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Harris Bay Yacht Club, Inc. as of December 31, 1993 and 1992, the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The supplementary information on future major repairs and improvements on page 10 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Certified Public Accountants

Gregory H. Lurie
Certified Public Accountants

HARRIS BAY YACHT CLUB, INC.

BALANCE SHEETS

- ASSETS -

	DECEMBER 31,	
	1993	1992
CURRENT ASSETS:		
Cash (Note 1)	\$ 126,129	\$ 52,465
Accounts receivable (Note 1)	111,293	65,631
Interest receivable	12,196	17,016
Notes receivable - members (Notes 2 and 3)	40,530	43,050
Inventory	14,288	15,458
Income tax refund receivable	--	1,249
Prepaid expenses	17,111	13,600
Total current assets	<u>\$ 321,547</u>	<u>\$ 208,469</u>
PROPERTY AND EQUIPMENT (NOTES 1 AND 3):		
Land	\$ 2,308,894	\$ 2,308,894
Buildings and improvements	1,140,744	1,137,124
Construction in progress	34,741	--
Docks	743,656	743,656
Equipment	148,452	148,452
Total	<u>\$ 4,376,487</u>	<u>\$ 4,338,126</u>
Less: accumulated depreciation	721,194	641,346
Net property and equipment	<u>\$ 3,655,293</u>	<u>\$ 3,696,780</u>
OTHER ASSETS:		
Notes receivable - members (Notes 2 and 3)	\$ 314,988	\$ 443,140
Loan acquisition costs - net of accumulated amortization of \$56,500 and \$54,031 as of December 31, 1993 and 1992, respectively	11,070	13,538
Total other assets	<u>\$ 326,058</u>	<u>\$ 456,678</u>
TOTAL ASSETS	<u>\$ 4,302,898</u>	<u>\$ 4,361,927</u>

- LIABILITIES AND MEMBERS' EQUITY -

CURRENT LIABILITIES:		
Current installments of long-term notes payable (Note 3)	\$ 61,610	\$ 56,633
Accounts payable	15,770	8,582
Deposits on rentals	39,374	28,760
Accrued expenses and other liabilities	16,014	14,319
Deferred revenue	111,262	85,341
Total current liabilities	<u>\$ 244,030</u>	<u>\$ 193,635</u>
LONG-TERM NOTES PAYABLE (NOTE 3)	<u>1,650,784</u>	<u>1,790,560</u>
Total liabilities	<u>\$ 1,894,814</u>	<u>\$ 1,984,195</u>
MEMBERS' EQUITY:		
Membership interests	\$ 4,251,506	\$ 4,237,006
Accumulated deficit	(1,843,422)	(1,859,274)
Total members' equity	<u>\$ 2,408,084</u>	<u>\$ 2,377,732</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 4,302,898</u>	<u>\$ 4,361,927</u>

See notes to financial statements which are an integral part hereof.

HARRIS BAY YACHT CLUB, INC.

STATEMENTS OF INCOME

	<u>YEAR ENDED</u>	
	<u>DECEMBER 31,</u>	
	<u>1993</u>	<u>1992</u>
REVENUE:		
Membership dues	\$ 375,000	\$ 376,500
Store and gas	155,799	135,300
Special assessment	62,750	--
Storage fees	62,740	44,772
Interest on member loans	56,667	73,627
Other	34,843	31,659
Dock rentals	25,250	27,073
Commissions	19,310	15,870
Total	<u>\$ 792,359</u>	<u>\$ 704,801</u>
OPERATING EXPENSES:		
Interest	\$ 168,801	\$ 190,847
Management fee (Note 5)	160,108	142,508
Store and gas	125,578	90,115
Depreciation	79,848	87,517
Maintenance	62,761	82,773
Insurance	46,132	48,768
Real estate taxes	38,007	34,129
Payroll	20,139	20,448
Heat and utilities	17,634	17,800
Professional services	17,435	45,825
Office supplies and expenses	16,108	21,817
New York State franchise tax	7,692	5,472
Bad debts	6,941	3,081
Advertising	3,231	1,253
Amortization of loan acquisition costs	2,472	7,289
Payroll taxes	2,049	2,116
Lake George Park dock tax	914	1,045
Equipment rentals	657	495
Total	<u>\$ 776,507</u>	<u>\$ 803,298</u>
NET INCOME (LOSS)	<u>\$ 15,852</u>	<u>\$ (98,497)</u>

See notes to financial statements which are an integral part hereof.

HARRIS BAY YACHT CLUB, INC.

STATEMENTS OF MEMBERS' EQUITY

	<u>YEAR ENDED DECEMBER 31, 1993</u>		
	<u>Members'</u> <u>Interest</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total Members</u> <u>Equity</u>
Beginning balance	\$ 4,237,006	\$ (1,859,274)	\$ 2,377,732
Net income	--	15,852	15,852
Additions of membership interest - net	<u>14,500</u>	<u>--</u>	<u>14,500</u>
Ending balance	<u>\$ 4,251,506</u>	<u>\$ (1,843,422)</u>	<u>\$ 2,408,084</u>

	<u>YEAR ENDED DECEMBER 31, 1992</u>		
	<u>Members'</u> <u>Interest</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total Members</u> <u>Equity</u>
Beginning balance	\$ 4,234,118	\$ (1,760,777)	\$ 2,473,341
Net loss	--	(98,497)	(98,497)
Additions of membership interest - net	<u>2,888</u>	<u>--</u>	<u>2,888</u>
Ending balance	<u>\$ 4,237,006</u>	<u>\$ (1,859,274)</u>	<u>\$ 2,377,732</u>

See notes to financial statements which are an integral part hereof.

Gregory H. Lurie
Certified Public Accountants

HARRIS BAY YACHT CLUB, INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 15,852	\$ (98,497)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and amortization	\$ 82,320	\$ 94,806
Allowance for doubtful accounts	8,016	(1,075)
(Increase) decrease in current assets:		
Accounts receivable	(53,678)	41,100
Accounts receivable - rental	--	(25,995)
Interest receivable	4,820	3,986
Inventory	1,170	(9,857)
Income tax refund receivable	1,249	(934)
Prepaid expenses	(3,511)	1,383
Increase (decrease) in current liabilities:		
Accounts payable	7,188	(27,862)
Deposits on rentals	10,614	28,760
Accrued expenses and other liabilities	1,695	(87,360)
Deferred revenue	25,921	62,121
Total adjustments	<u>\$ 85,804</u>	<u>\$ 79,073</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 101,656</u>	<u>\$ (19,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal received on member loans	\$ 130,672	\$ 87,829
Purchase of property and equipment	<u>(38,361)</u>	<u>(3,966)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 92,311</u>	<u>\$ 83,863</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net principal reduction on long-term notes payable	\$ (134,803)	\$ (59,192)
Proceeds from sale of members interests	14,500	27,750
Loan acquisition costs	<u>--</u>	<u>(12,357)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>\$ (120,303)</u>	<u>\$ (43,799)</u>
NET INCREASE IN CASH	\$ 73,664	\$ 20,640
CASH AT BEGINNING OF YEAR	<u>52,465</u>	<u>31,825</u>
CASH AT END OF YEAR	<u>\$ 126,129</u>	<u>\$ 52,465</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 169,784	\$ 275,436
Income taxes	<u>\$ 5,578</u>	<u>\$ 6,406</u>

See notes to financial statements which are an integral part hereof.

Gregory H. Lurie
Certified Public Accountants

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993 AND 1992

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History

The Club was incorporated in 1984. The Club owns and operates a boating facility in Lake George, New York. Individuals purchase membership interests in the Club which include the right to use dock slips owned by the Club. The Club also runs a brokerage service for the rental of members' boats and dock slips.

Cash

Cash of \$31,848 as of December 31, 1993 is restricted for use in the capital improvements project. (See Unaudited Supplemental Information on Future Major Repairs and Improvements).

Accounts Receivable

Accounts receivable is presented net of an allowance for uncollectible accounts of \$12,171 and \$4,155 at December 31, 1993 and 1992, respectively. Accounts receivable consist of amounts due from members and various other amounts.

Inventory

Inventory is stated at the lower of cost or market on the first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost and depreciated for financial and tax reporting purposes using the straight-line and accelerated methods. Estimated useful lives are as follows:

Buildings and improvements	18 - 31 years
Docks	25 years
Equipment	5 years

Maintenance, repairs and minor replacements are charged to operations as incurred while major additions and improvements are capitalized. When assets are sold, retired, or otherwise disposed of, the applicable costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

Loan Acquisition Costs

Loan acquisition costs are amortized on a straight-line basis over the term of the related loan.

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993 AND 1992

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

Rental and storage fees are recognized as revenue when the services are provided. Membership fees are recognized over the applicable membership period with the unearned portion recorded as deferred revenue.

Members' Equity

Members' equity results from the sale of membership interests under the terms of an offering plan dated August 2, 1983. Membership interests have been sold to members at various prices ranging from \$8,625 to \$43,300, and are stated net of costs associated with attracting and admitting members.

NOTE 2: NOTES RECEIVABLE - MEMBERS

Notes receivable represent amounts due from members from the sale of membership interests in the Club, and have been pledged as additional collateral to secure the mortgage on Club property as described in Note 3. The notes are payable in sixty quarterly installments of various amounts, including interest at 14%.

NOTE 3: LONG-TERM NOTES PAYABLE

Mortgage payable to Key Bank, N.A., secured by real property and the assignment of all notes receivable, requiring monthly fixed principal payments plus interest. The fixed monthly principal payment increased over the life of the loan and was \$5,169 at December 31, 1993. Interest is charged at the rate of prime plus 2% with a floor of 9%. The prime rate at December 31, 1993 was 6%. On March 4, 1994, the Club received a commitment letter from Key Bank, N.A. agreeing to refinance this debt. Interest will be charged at the Bank's base rate plus 2%. The interest rate will be adjusted at the end of each 5 year period. Monthly payments will consist of principal and interest and will continue through 2009. The Club is required to make additional principal payments of all note receivable member payments.

Less: current portion
Long-term portion

December 31,
1993 1992

\$ 1,712,394	\$ 1,847,193
61,610	56,633
<u>\$ 1,650,784</u>	<u>\$ 1,790,560</u>

Gregory H. Lurie
Certified Public Accountants

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993 AND 1992

NOTE 3: LONG-TERM NOTES PAYABLE - CONTINUED

The aggregate maturities of long-term notes payable are as follows:

Year ending December 31, 1994	\$ 61,610
Year ending December 31, 1995	66,723
Year ending December 31, 1996	72,261
Year ending December 31, 1997	78,258
Year ending December 31, 1998	84,754
Later years	<u>1,348,788</u>
Total	<u>\$ 1,712,394</u>

Classification of notes payable at December 31, 1993 is based on terms of the pending debt refinancing.

NOTE 4: INCOME TAXES

The Club has available at December 31, 1993, the following federal tax loss carryforwards and tax credits which are available to be applied against future taxable income:

	<u>Amount</u>	<u>Expiration Year</u>
Net operating losses	\$ 2,135,944	1999 - 2006
Investment tax credits	\$ 5,088	1999 - 2000

Unused net operating losses reduce future taxable income on a dollar-for-dollar basis. Investment tax credits reduce Federal income taxes on a dollar-for-dollar basis, subject to certain limitations.

NOTE 5: COMMITMENTS

The Club has entered into various agreements as follows:

Management Agreement

The Club had a management agreement with American Marinas, Inc. (AMI) for the management of the yacht club. The agreement was to be effective until December 31, 1994 and provided for an annual payment to AMI of \$84,000 in 1991. The Club terminated this agreement in December 1991 (see Note 6). The Club currently has an agreement with TTDM Management Co., Inc. The fees under the agreement for 1993 were \$160,108. The fees for 1994 will be \$166,628.

HARRIS BAY YACHT CLUB, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993 AND 1992

NOTE 3: COMMITMENTS

Commissioning and Decommissioning Agreement

The Club entered into a commissioning and decommissioning agreement with Michael's Marine Service, Inc. effective until August 31, 1994 providing for annual payments of \$50,000 for services. Michael's Marine Service also rents garage space from Harris Bay Yacht Club, Inc. under a lease that expires in August 1994.

Executed Contracts

As a service to members, the Club acts as an agent for the rental of member slips and charges a percentage of the rental as a fee. Receipts for these contracts are not recorded on the Club's books. Partial payments received are recorded as deposits on rentals. When full payment is received, the Club recognizes its fee and payment is due to the member. At December 31, 1993, unbooked receivables for signed contracts totaled \$131,974. The Club had received and recorded \$39,374 as payment on these contracts. Of these amounts, \$151,420 will be paid to the members upon full receipt of the contract amounts.

NOTE 4: CONTINGENCIES

The Club is involved in a legal action with American Marinas, Inc. American Marinas, Inc. has claimed significant, but unspecified, damages because of the termination of the management agreement. The Club has assessed a counter claim against American Marinas, Inc. In the opinion of management and legal counsel, it is unlikely that American Marinas, Inc. will be successful in its claim. The Club is seeking to have this matter resolved through arbitration.

Due to the uncertainty of these matters, there has been no provision made in the accompanying financial statements for any additional fees or legal settlements.

HARRIS BAY YACHT CLUB, INC.

SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND IMPROVEMENTS

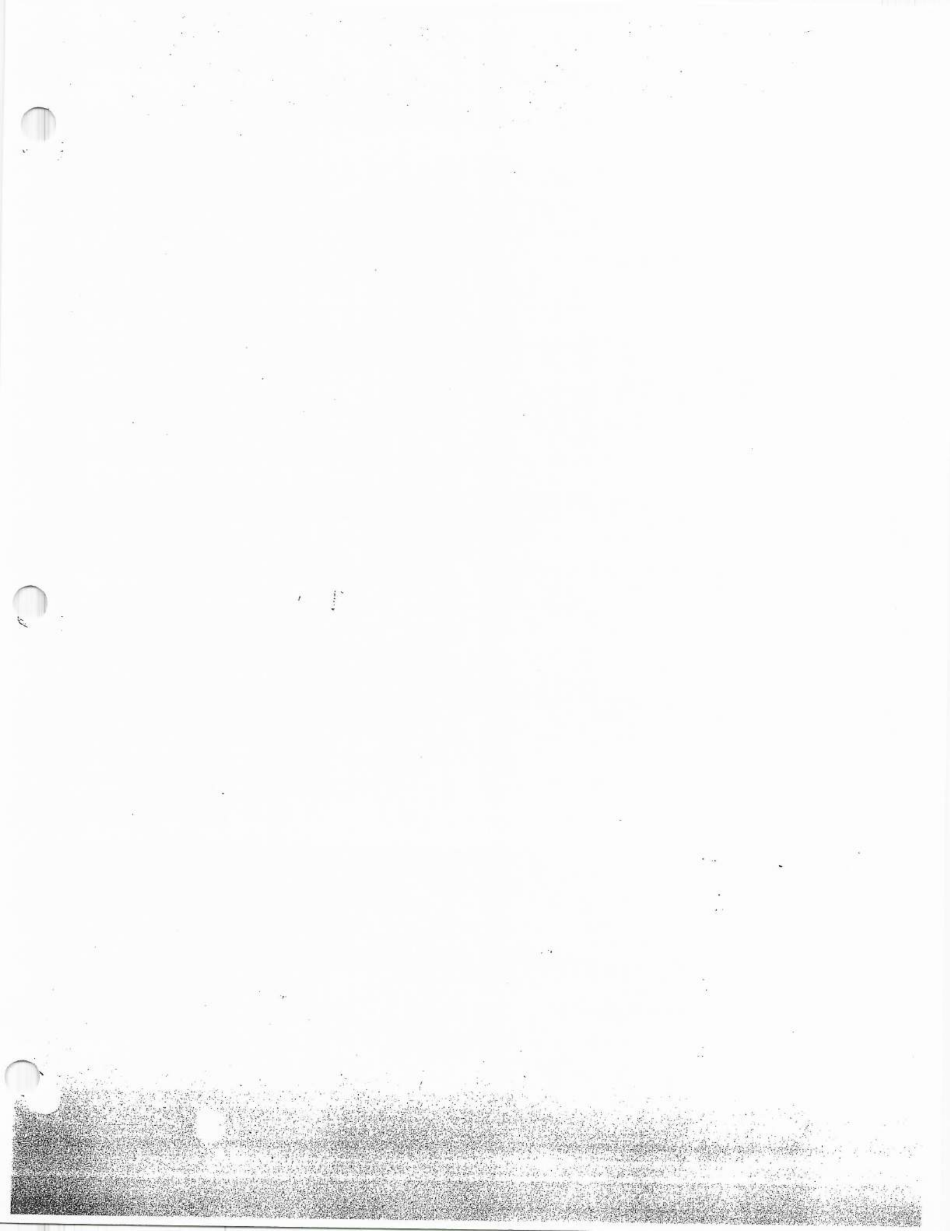
DECEMBER 31, 1993

(UNAUDITED)

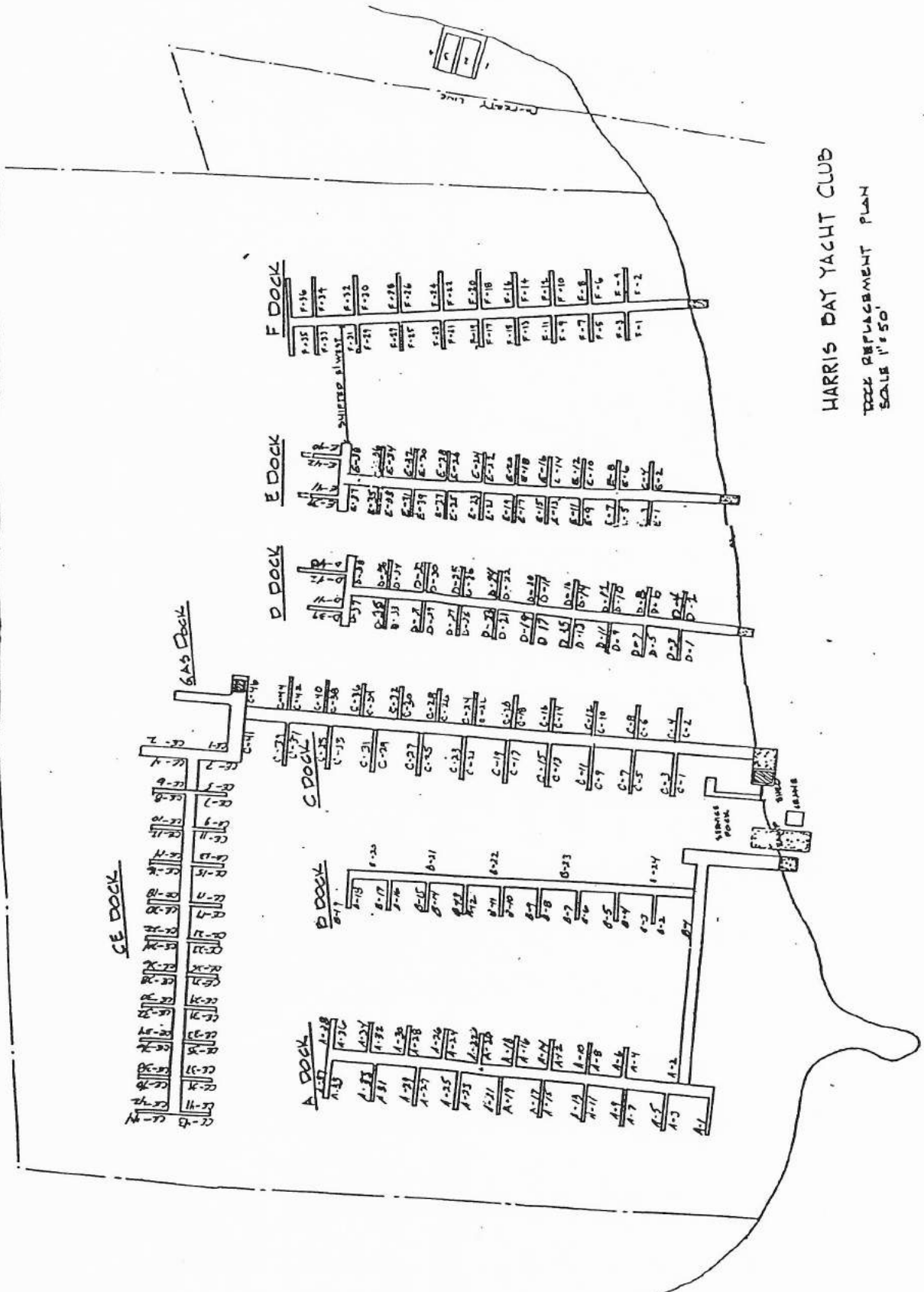
The Board of Directors conducted a study in 1993 to estimate future repairs and improvements to be made to the clubhouse and surrounding property over the next five years. These repairs and improvements will be funded through special assessments which began in 1993 and continue through 1997. Future major repairs and improvements over this five year period are as follows:

<u>Component</u>	<u>Estimated Current Replacement Costs</u>
Clubhouse	\$ 190,500
Storage, yard and site	<u>123,250</u>
Total	\$ 313,750
Costs incurred through December 31, 1993	<u>34,741</u>
Future expenditures	<u>\$ 279,009</u>

Gregory H. Lurie
Certified Public Accountants



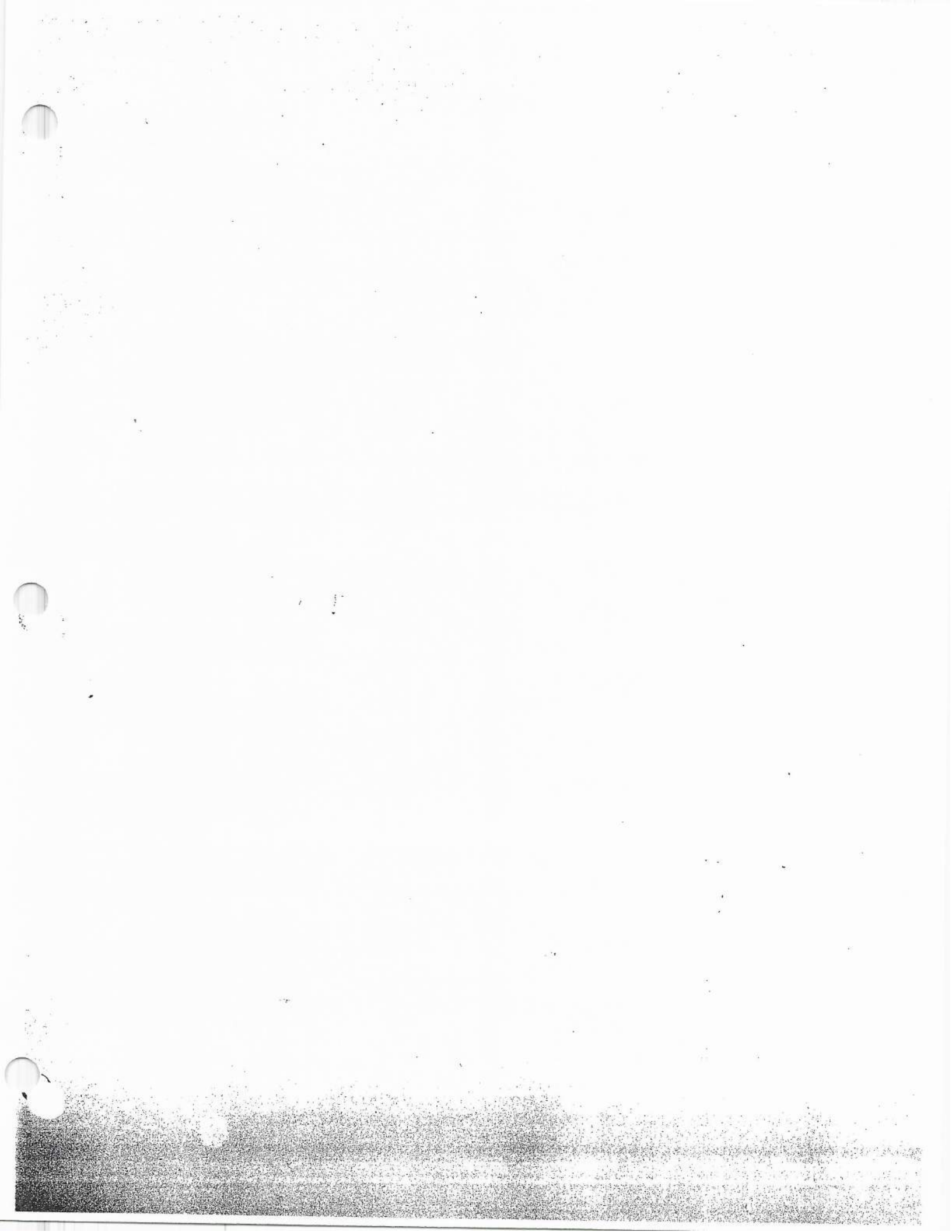
0.55 EASEMENT LINE



HARRIS BAY YACHT CLUB

DOCK REPLACEMENT PLAN
SCALE 1"=50'

NOTE: DOCKS C, E, F, GAS DOCK, E & F ARE COMPLETED



MODIFICATION AGREEMENT

THIS AGREEMENT, made as of the 13th day of November, 1992, between KEY BANK OF NEW YORK, formerly known as Key Bank N.A., a New York State banking corporation, with its principal office and place of business at 66 South Pearl Street, Albany, New York 12207 (the "Bank")

and

Name: HARRIS BAY YACHT CLUB, INC.
Street Address: Route 9L
City, State, Zip: Cleverdale, New York 12810

(the "Borrower")

W I T N E S S E T H :

WHEREAS, Bank is the holder of a consolidated promissory note (the "Note") executed by Borrower as follows:

Date:	August 15, 1989
Amount:	\$1,900,000.00
Current Principal Balance:	\$1,508,903.31

and other documents and agreements executed by Borrower as a part of a loan transaction (the "Loan"), and secured by those mortgages (the "Mortgages") more particularly described on Schedule "A" annexed hereto; and

WHEREAS, the Mortgages cover a parcel of real property (the "Premises") located in the Town of Queensbury, Warren County, New York and being more particularly described in Schedule "B" annexed hereto; and

WHEREAS, the Bank is the holder of a promissory note (the "Second Note" and together with the Note, the "Notes") executed by Borrower as follows:

Date:	August 15, 1989
Amount:	\$500,000.00
Current Principal Balance:	\$342,968.58

and other documents and agreements executed by Borrower as a part of a loan transaction (the "Second Loan") and secured by a separate mortgage bearing even date with the Second Note, which mortgage (the "Second Mortgage") was executed and recorded as follows:

Date: August 15, 1989
Amount: \$500,000.00
Recorded On: August 17, 1989
Recording Office: Warren County Clerk's Office
Book/Liber: 594
Page: 80

WHEREAS, the Second Mortgage encumbers the Premises; and

WHEREAS, the Notes were each secured by an assignment of notes (the "Assignments") which conditionally assigned certain notes held by the Borrower (the "Member Notes") to the Bank; and

WHEREAS, the Borrower and Bank have agreed to consolidate and modify the Notes;

NOW, THEREFORE, in consideration of One and no/100 (\$1.00) Dollar and other good and valuable consideration, the parties hereto hereby agree as follows:

1. WARRANTIES: Borrower warrants and certifies to Bank as follows:

(a) That the full amount of principal now owing on the Notes is One Million Eight Hundred Fifty One Eight Hundred Seventy One and 89/100 (\$1,851,871.89) Dollars which is due with interest (the "Indebtedness").

(b) That there are no defenses, counterclaims, cross or other claims, demands or offsets of any nature whatsoever which can be asserted to: (i) reduce or eliminate all or any part of their liability under the Note or (ii) seek affirmative relief or damages from the Bank.

(c) That all of the provisions of the Notes are in full force and effect.

(d) That any and all liens and security interests in real and personal property held by the Bank are in full force and effect, and that there are no defenses to the liens or security interests.

(e) That the Borrower has not (i) filed a petition seeking relief under any provision of any bankruptcy, reorganization, arrangement or dissolution law of any jurisdiction; (ii) made any assignments for the benefit of creditors; (iii) had a receiver, custodian, liquidator or trustee appointed by court order; and (iv) failed to pay to any other creditor, or admitted in writing an inability to pay, debts generally as they have become due.

2. MODIFICATIONS TO NOTES. The Notes are hereby consolidated and, as consolidated, modified as follows:

(a) MATURITY DATE. The Indebtedness will mature on November 13, 1997 (the "Maturity Date"), when the balance of principal plus accrued interest and any other sums due the Bank shall be due and payable.

(b) COMPUTATION OF INTEREST. Interest on the Indebtedness shall be computed on the basis of "a 360 day year for the actual number of days elapsed" (such phrase, as used throughout this Agreement and the Note, shall mean that in computing interest for the subject period, the interest rate shall be multiplied by a fraction, the denominator of which is 360 and the numerator of which is the actual number of days elapsed from the date of the preceding interest and/or principal due date, as the case may be, to the date of the next interest and/or principal due date). Interest shall accrue until the date of receipt of payment.

(c) INTEREST RATE. As of the date set forth at the head of this Agreement, "Interest Rate" shall mean the rate of interest to be paid by Borrower on any outstanding principal due under the Note and shall be equal to the greater of (i) nine (9%) percent per annum or (ii) the rate resulting from adding the Base Rate of Key Bank of New York as that rate is set, determined or announced on a periodic basis by Key Bank of New York plus two (2%) percent per annum. The Base Rate of Key Bank of New York is not necessarily the lowest rate charged by Key Bank of New York on loans and other credits and loans and credits may be extended by Key Bank of New York at rates both above and below the Base Rate. Any change in the Base Rate shall automatically and simultaneously effect a corresponding change in the Interest Rate without notice to the Borrower.

(d) REPAYMENT. At execution of this Agreement, Borrower shall pay interest at the Interest Rates effective under the Notes prior to their modification pursuant to this Agreement for the period through and including November 13, 1992. Borrower shall pay interest at the Interest Rate as modified pursuant to this Agreement on the unpaid principal balance of the Indebtedness from November 13, 1992, beginning on the 13th day of December, 1992 and continuing on the 13th day of each month thereafter until the Maturity Date (or such earlier date in the event the Bank accelerates Borrower's obligations hereunder), at which time, any accrued and unpaid interest must be paid. Principal repayment shall begin on December 13, 1992 and shall continue on the 13th day of each month thereafter with the principal payment amounts being made in accordance with the schedule set forth below:

<u>Principal Payment Date</u>	<u>Principal Payment Amount</u>
13th day of each month from and including December 13, 1992 through and including November 13, 1993	\$4,678.63

13th day of each month from and including December 13, 1993 through and including November 13, 1994	\$5,168.54
13th day of each month from and including December 13, 1994 through and including November 13, 1995	\$5,709.75
13th day of each month from and including December 13, 1995 through and including November 13, 1996	\$6,307.64
December 13, 1996 through October 13, 1997	\$6,968.13
November 13, 1997	full balance of principal and accrued and unpaid interest

(e) ADDITIONAL PRINCIPAL PAYMENTS. In addition to the payments required at subparagraph (d) above, Borrower will also make principal payments against the Indebtedness in amounts equal to amounts received by Borrower in the form of payments on the Member Notes. Borrower must make such payments on the 5th of each month during the term and must provide the Bank with a monthly updated list of Member Notes receivable.

(f) LATE PAYMENT CHARGES. If Borrower fails to pay any amount of principal and/or interest due on the Indebtedness for fifteen (15) days after such payment becomes due, whether by acceleration or otherwise, the Bank may, at its option, whether immediately or at the time of final payment of the amounts evidenced by the Note, impose a late payment charge (the "Late Payment Charge") computed by multiplying the amount of each past due payment by four (4%) percent. Until any and all Late Payment Charges are paid in full, the amount thereof shall be added to the indebtedness secured by any of the loan documents executed in conjunction with the Notes (the "Loan Documents"). The Late Payment Charge is not a penalty and is deemed to be liquidated damages for the purpose of compensating the Bank for the difficulty in computing the actual amount of damages incurred by the Bank as a result of the late payment by Borrower.

(g) PREPAYMENT. The principal balance may be prepaid in whole or in part, at any time, provided that Borrower has given the Bank thirty (30) days advance written notice of its intention to prepay and pays a penalty calculated by multiplying the amount prepaid by the appropriate Percentage set forth below.

<u>Time of Prepayment</u>	<u>Percentage</u>
Date of this Agreement thru November 12, 1993	3%

November 13, 1993 thru
November 12, 1994

2%

November 13, 1994 thru
November 12, 1995

1%

Any prepayment made in satisfaction of the requirements of subparagraph 2 (e) hereof shall not be considered prepayments for the purposes of calculating a penalty under this subparagraph.

3. MODIFICATIONS TO MORTGAGES. The Mortgages are hereby consolidated and, as consolidated, are modified as follows:

(a) APPRAISAL; LOAN TO VALUE RATIO. For the purposes of this Section, the following terms shall be defined as follows:

"Appraisal" shall mean an appraisal of the fair market value of the Premises.

"Appraiser" shall mean an MAI appraiser selected by the Borrower and approved by the Bank.

"Loan to Value Ratio" shall mean the percentage obtained by dividing the then outstanding principal balance of the Indebtedness by the fair market value of the Premises set forth in the Appraisal.

"Target Loan to Value Ratio" shall mean sixty (60%) percent or less.

Within ninety (90) days from the date the Bank has mailed a written notice to Borrower requesting the same, Borrower shall provide the Bank, at Borrower's expense, with an Appraisal of the Premises. An Appraisal may be required not more frequently than once every twelve (12) months except that it may also be required prior to any extension or renewal of the Indebtedness.

When the Bank receives the Appraisal, it will determine the Loan to Value Ratio and if the Loan to Value Ratio is greater than the Target Loan to Value Ratio, the Borrower must, within thirty (30) days after receipt of the Appraisal, do one of the following:

(1) Provide the Bank with collateral in addition to the Premises (and any other collateral for the Note) which is in all respects acceptable to the Bank which will reduce the Loan to Value Ratio to the Target Loan to Value Ratio.

(2) Make such principal payments (which will be accepted by the Bank without the payment of any prepayment penalty chargeable under this Agreement) as will reduce the principal balance of the Indebtedness to an amount which will reduce the Loan to Value Ratio to the Target Loan to Value Ratio; or

(3) Pay all sums due the Bank under the Notes or any Loan Document.

(b) ESCROW FOR TAXES. The Borrower is required to deposit with the Bank on the date of execution of this Agreement and at the time each installment payment required pursuant to subparagraph (d) of covenant 2 hereof is due, an amount sufficient to discharge the obligation of the Borrower to pay taxes and other municipal impositions as set forth in the Mortgages when the same become due. The determination of the amount so payable and of the fractional part thereof to be deposited with the Bank so that the aggregate of such deposit shall be sufficient for such purpose shall be made by the Bank in its sole discretion. Such amounts shall be held by the Bank without interest and applied to payment of the obligations in respect to which such payments were deposited on or before the respective dates when the same are due or on the earliest date permitted by law. If prior to the due date of any such obligations the amounts then on deposit therefore shall be insufficient for the payment of such obligations in full, the Borrower within ten (10) days after demand shall deposit the amount of the deficiency with the Bank. Notwithstanding the foregoing, the initial deposit required on the date of execution of this Agreement may be made in three (3) six thousand five hundred dollar (\$6,500.00) installments due respectively on December 1, 1992, January 1, 1993 and January 15, 1993.

4. AFFIRMATION OF NOTES, MORTGAGES AND ASSIGNMENTS. The Borrower hereby covenants and agrees that all of the promises made in this Agreement and in the Mortgages, the Notes and the Assignments, except for those promises which have been modified by this Agreement, are in all respects valid and binding promises of the Borrower, enforceable in accordance with their terms.

5. CONFLICT RESOLUTION. The Borrower hereby agrees that should there be a conflict between the terms of the Notes, the Mortgages and this Agreement, this Agreement, shall prevail.

6. AFFIRMATION OF LIENS. The Borrower hereby covenants and agrees that the Mortgages, as of the date hereof, constitute a valid and binding first lien on the Premises enforceable in accordance with the terms of the Mortgages, and that the Mortgages shall continue to be collateral for the Notes and the amounts due hereunder and all extensions, replacements and modifications thereof.

7. AMENDMENT. This Agreement may not be changed or modified orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

8. ENTIRE AGREEMENT. This Agreement constitutes the complete agreement of the parties with respect to the subject matter referred to herein and supersedes all prior or contemporaneous negotiations, promises, covenants, agreements or

representations of every nature whatsoever with respect thereto all of which have become merged and finally integrated into this Agreement. Each of the parties understands that in the event of any subsequent litigation, controversy or dispute concerning any of the terms, conditions or provisions of this Agreement, no party shall be permitted to offer or to introduce any oral evidence concerning any other oral promises or oral agreements between the parties relating to the subject matter of this Agreement not included or referred to herein and not reflected by a writing.

9. GOVERNING LAW. This Agreement shall be construed in accordance with and enforceable under the laws of the State of New York.

10. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the parties hereto and their respective heirs, distributees, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the day, month and year first above written.

KEY BANK OF NEW YORK

By James J. Gerardi
Name: James J. Gerardi
Title: Vice President

HARRIS BAY YACHT CLUB

By: David G. Kling
Name: David G. Kling
Title: President

STATE OF NEW YORK)
) ss.:
COUNTY OF ALBANY)

On this 13th day of November, 1992, before me the subscriber personally appeared James J. Gerardi, who being by me duly sworn, did depose and say; that he resides at 1 D HARWICK MANOR, BALLSTON LAKE N-Y, that he is a Vice President of Key Bank of New York, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

Richard C. Van Auler

NOTARY PUBLIC
RICHARD C. VAN AUER
Notary Public, State of New York
Qualified in Rensselaer County
Reg. No. 4687169
Commission Expires May 31 1993

STATE OF NEW YORK)
) ss.:
COUNTY OF ALBANY)

On this 13th day of November, 1992, before me the subscriber personally appeared David G. Kling, who being by me duly sworn, did depose and say; that he resides at Slingerlands, New York, that he is President of Harris Bay Yacht Club, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

Richard Bader
NOTARY PUBLIC

RICHARD BADER
Notary Public, State of New York
No. 5001497
Qualified in Albany County
Commission Expires September 8, 1994

By: _____
Name: ~~XXXX~~
 ~~XXXX~~

MORTGAGES

1.

HARRIS BAY YACHT CLUB, INC.

MORTGAGE

to
YARDARM DEVELOPMENT ASSOCIATES

DATED: July 2, 1984
REC'D: July 3, 1984
LIBER: 429 PAGE: 578
AMOUNT: \$4,000,000.00

As assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK, A. ROBERT STEWART, ARTHUR W. GOTTS and HARRIS BAY DEVELOPMENT CORP. by Assignment of Mortgage dated July 2, 1984, recorded July 3, 1984 in Liber 429, page 619.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK by Assignment of Mortgage dated August 22, 1985, recorded December 5, 1985 in Liber 447, page 282.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK by Assignment of Mortgage dated January 13, 1986, recorded February 11, 1986 in 449, page 812.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK by Assignment of Mortgage dated April 30, 1986, recorded May 1, 1986 in Liber 452, page 417.

As further assigned by CHEMICAL BANK to KEY BANK, N.A. by Assignment of Mortgage dated March 31, 1987, recorded April 1, 1987 in Liber 471, page 631.

As further assigned by A. ROBERT STEWART to KEY BANK, N.A. by Assignment of Mortgage dated March 21, 1987, recorded April 1, 1987 in Liber 471, page 633.

As further assigned by ARTHUR W. GOTTS to KEY BANK, N.A. by Assignment of Mortgage dated March 23, 1987, recorded April 1, 1987 in Liber 471, page 636.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to KEY BANK, N.A. by Assignment of Mortgage dated March 31, 1987, recorded April 1, 1987 in Liber 471, page 638.

2.

HARRIS BAY YACHT CLUB, INC.

MORTGAGE

to
KEY BANK, N.A.

DATED: March 31, 1987
REC'D: April 1, 1987
LIBER: 471 PAGE: 641
AMOUNT: \$63,974.38

Mortgage in Items 1 and 2 above were consolidated by Consolidation, Extension and Modification Agreement dated March 31, 1987, recorded April 1, 1987 in Liber 471, page 658, to form a single lien of \$2,750,000.00.

3.

HARRIS BAY YACHT, CLUB

MORTGAGE

to

KEY BANK N.A.

DATED: August 15, 1989
REC'D: August 17, 1989
Liber: 594 Page: 59
AMOUNT: \$83,992.04

Mortgages in Items 1, 2 and 3 were consolidated by Mortgage Consolidation, Extension and Modification Agreement dated August 15, 1989, recorded August 17, 1989 in Liber 594, page 74 to form a single lien of \$1,900,000.00.

SCHEDULE B

AS that certain plot, pieces or parcels of land with the buildings and improvements thereon erected, (hereinafter referred to collectively as the "Property"), situate, lying and being in the Town of Oucensbury, County of Warren and State of New York, being part of lots 34 and 38 of the French Mountain Tract bounded and described as follows:

PARCEL 1

BEGINNING at an iron pipe set in the northerly line of New York State Route 9L in the division line between Lot 38 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses said Route 9L at a distance of 740 feet, more or less, westerly, measured along said Route 9L from the center line of the Cleverdale Road, running thence from the place of beginning, the following four courses and distances along the northerly bounds of New York State Route 9L, viz.: South 65 degrees 21 minutes 20 seconds West, 59.18 feet; South 71 degrees 55 minutes 20 seconds West, 554.74 feet; South 72 degrees 14 minutes 30 seconds West, 399.42 feet and South 75 degrees 19 minutes 40 seconds West, 314.37 feet; thence North 39 degrees 53 minutes 50 seconds West, and along the easterly line of lands of Robert A. Stewart, for a distance of 443.49 feet to the southerly shore of Lake George; thence in an easterly direction along said shore line, as it winds and turns, for a distance of 1920 feet, more or less; thence South 31 degrees 04 minutes 30 seconds East, and along the aforementioned division line between Lots 38 and 43 of the French Mountain Tract and along the westerly line of lands now or formerly of Ernest Kirchoff, for a distance of 438 feet, more or less, to the place of beginning,

PARCEL 2

BEGINNING at an iron pipe set in the southeasterly line of New York State Route 9L where said line is intersected by the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south, running thence from the place of beginning, North 43 degrees 40 minutes 30 seconds East, along the southeasterly bounds of New York State Route 9L, for a distance of 73.99 feet; thence North 83 degrees 28 minutes East, and along the southerly line of lands now or formerly of Hall and New York Telephone Company, for a distance of 137.79 feet; thence North 6 degrees 40 minutes 30 seconds West, and along the easterly line of said lands now or formerly of New York Telephone Company, for a distance of 76.57 feet to the southerly line of New York State Route 9L; thence the following eight courses and distances along the southerly line of New York State Route 9L, viz.: North 56 degrees 59 minutes 30 seconds East, 95.50 feet; North 62 degrees 55 minutes East, 187.78 feet; North 67 degrees 29 minutes 30 seconds East, 193.50 feet; North 72 degrees 22 minutes 20 seconds East, 192.32 feet; North 77 degrees 21 minutes 20 seconds East, 204.21 feet; North 82 degrees 08 minutes East, 197.37 feet; North 86 degrees 10 minutes 20 seconds East, 741.74 feet and North 74 degrees 02 minutes 40 seconds East, 292.10 feet to an iron pipe; thence South 5 degrees 11 minutes 20 seconds West, and along the westerly line of lands of the State of New York, for a distance of 830.87 feet to an iron pipe set in the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south; thence North 83 degrees 54 minutes 30 seconds West, along said division line and along the northerly line of Harry Pulver, now owned by the State of New York, for a distance of 588.79 feet to an iron pipe set in stones at the north-westerly corner of said lands formerly of Pulver; thence North 84 degrees 21 minutes 10 seconds West, along the division line between Lots 33 and 34 of the French Mountain Tract and along the northerly line of lands now or formerly of Harry Noyes, for a distance of 1555.53 feet to the place of beginning, more or less.

PARCEL 3

BEGINNING at an iron pipe set in the southerly line of New York State Route 9L and in the division line between Lot 18 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses New York State Route 9L at a distance of 740 feet, westerly, measured along said Route 9L from the center of the Cleverdale Road, running thence from the place of beginning, South 31 degrees 04 minutes 30 seconds East, along said division line, for a distance of 936.49 feet to an iron pipe; thence the following six courses

and distances along lands owned by the State of New York, viz.: South 88 degrees 10 minutes 30 seconds West, 714.92 feet; North 18 degrees 41 minutes West, 212.06 feet; North 11 degrees 45 minutes West, 119.32 feet; North 12 degrees 59 minutes 50 seconds West, 259.09 feet; North 77 degrees 08 minutes 40 seconds West, 211.82 feet and North 33 degrees 04 minutes West, 10.04 feet to a point in the southerly line of New York State Route 9L; thence North 71 degrees 55 minutes 20 seconds East, along said southerly line, for a distance of 547.24 feet to an angle point therein; thence North 68 degrees 12 minutes 20 seconds East for a distance of 79.17 feet to the place of beginning,

MORTGAGE AND SECURITY AGREEMENT

\$129,815.44

THIS MORTGAGE AND SECURITY AGREEMENT, made the 29 day of April, 1994, by HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation with an office for the transaction of business on Route 9L, Cleverdale, New York (mailing address: P.O. Box 139, Cleverdale, New York 12820), the MORTGAGOR to KEY BANK OF NEW YORK, a New York State banking corporation with its principal office located at 66 South Pearl Street, Albany, New York 12207, the MORTGAGEE.

WITNESSETH, that to secure the payment of an indebtedness evidenced by a certain note bearing even date herewith in the principal sum of One Hundred Twenty Nine Thousand Eight Hundred Fifteen and 44/100ths (\$129,815.44) Dollars lawful money of the United States, as the same may be modified, renewed or extended (the "Note") which sum, with interest thereon is to be paid by Mortgagor to Mortgagee in accordance with the terms of said Note, and also to secure the payment by Mortgagor to Mortgagee of all sums expended or advanced by Mortgagee pursuant to any covenant, term or provision of this Mortgage or any other Loan Document (as that term is defined in the Note), and to secure the performance of each covenant, term and provision by Mortgagor to be performed pursuant to this Mortgage or any other Loan Document, Mortgagor hereby mortgages to Mortgagee, its successors and assigns, the following described property (the "Mortgaged Property") whether now owned or held or hereafter acquired:

ALL THAT TRACT OR PARCEL OF LAND situate in the Town of Queensbury, County of Warren, State of New York, and being the same premises described in Schedule "A" hereto annexed and made a part hereof (the "Premises").

ALL RIGHT, TITLE AND INTEREST of Mortgagor in and to any and all buildings, structures and improvements, including without limitation, the foundations and footings thereof, now or at any time hereafter erected, constructed or situated upon the Premises or any part thereof (the "Improvements").

TOGETHER with all fixtures, chattels and articles of personal property now or hereafter attached to or used in connection with the Premises, together with any and all replacements thereof and additions thereto (the "Chattels"). This Mortgage shall be considered a financing statement pursuant to the provisions of the Uniform Commercial Code, covering fixtures which are affixed to the Premises. The types of collateral covered hereby are described in this paragraph. The debtor is HARRIS BAY YACHT CLUB, INC.. The secured party is KEY BANK OF NEW YORK. Their addresses are set forth above.

TOGETHER with all right, title and interest, if any, of Mortgagor of, in and to the bed of any street, road or avenue,

opened or proposed, in front of, adjoining or abutting upon the Premises to the center line thereof.

TOGETHER with any and all awards heretofore and hereafter made to the present and all subsequent owners of the Premises by any governmental or other lawful authorities for the taking by eminent domain of the whole or any part of the Premises, or any easement therein, including any awards for any changes of grade of streets, which said awards are hereby assigned to Mortgagee, who is hereby authorized to collect and receive the proceeds of any such awards from such authorities and to give proper receipts and acquittances therefor, and to apply the same toward the payment of the amount owing on account of this Mortgage and the Note, notwithstanding the fact that the amount owing thereon may not then be due and payable.

TO HAVE AND TO HOLD the Mortgaged Property unto the Mortgagee, its successors and assigns, PROVIDED ALWAYS that if Mortgagor shall pay or cause to be paid to Mortgagee, its successors and assigns, said principal sum of money and other charges mentioned and set forth in this Mortgage and in the Note, together with interest thereon, then and from thence forth, the Mortgaged Property and the estate hereby granted shall cease, determine and be void.

AND Mortgagor covenants with Mortgagee as follows:

1. REPRESENTATIONS. Mortgagor hereby represents and warrants to Mortgagee as follows:

(a) That the Loan Documents (as that term is defined in the Note) are in all respects valid and legally binding obligations, enforceable in accordance with their respective terms.

(b) That the execution and delivery of the Loan Documents by Mortgagor and any guarantor do not, and the performance and observance by Mortgagor and any guarantor of their obligations thereunder will not, contravene or result in a breach of (i) if Mortgagor or any guarantor purports to be a corporation, any provision of Mortgagor's or any guarantor's corporate charter or by-laws, or, if Mortgagor or any guarantor purports to be partnership, any provision of Mortgagor's or any guarantor's partnership agreement or certificate, or (ii) any governmental requirements, or (iii) any decree or judgement binding on Mortgagor or any guarantor, or (iv) any agreement or instrument binding on Mortgagor or any guarantor or any of their respective properties, nor will the same result in the creation of any lien or security interest under any such agreement or instrument.

(c) That there are no actions, suits, investigations or proceedings pending, or, to the knowledge of Mortgagor, threatened against or affecting Mortgagor (or any general partner of Mortgagor), any guarantor or the Mortgaged Property, or involving the validity or enforceability of any of the Loan Documents or the

priority of the lien thereof, or which will affect Mortgagor's ability to repay the Note, at law or in equity or before or by any governmental authority.

(d) That Mortgagor has no knowledge of any violations or notices of violations of any requirements, except as previously disclosed, if any.

(e) If Mortgagor (or any general partner of Mortgagor if Mortgagor is a partnership) or any guarantor purports to be a corporation, that (i) it is a corporation duly organized, validly existing and in good standing under the laws of the state in which it is incorporated, (ii) if required by the laws of the state in which the Premises is located, it is duly qualified to do business and is in good standing therein, (iii) it has the corporate power, authority and legal right to own and operate its properties and assets, carry on the business now being conducted and proposed to be conducted by it, and to engage in the transactions contemplated by the Loan Documents, and (iv) the execution and delivery of the Loan Documents to which it is a party and the performance and observance of the provisions thereof have been duly authorized by all necessary corporate actions.

If Mortgagor (or any general partner of Mortgagor if Mortgagor is a partnership) or any guarantor is a partnership, that (i) it is duly formed and validly existing under the laws of the state in which it is formed, (ii) if required by the laws of the state in which the Premises is located, it is fully qualified to do business therein, (iii) it has the power, authority and legal right to own and operate its properties and assets, to carry on the business conducted and proposed to be conducted by it, and to engage in the transactions contemplated by the Loan Documents, and (iv) the execution and delivery of the Loan Documents to which it is a party and the performance and observance of the provisions thereof have all been duly authorized by all necessary actions of its partners.

(f) That all utility services necessary and sufficient for the construction, development and operation of the Mortgaged Property for its intended purposes are presently available to the Premises (or the boundaries thereof if this Mortgage is executed in conjunction with a construction loan) through dedicated public rights of way or through perpetual private easements, approved by Mortgagee, with respect to which the Mortgage creates a valid, binding and enforceable first lien, including, but not limited to, water supply, storm and sanitary sewer, gas, electric and telephone facilities, and drainage, if any.

(g) That neither the Mortgaged Property nor any portion thereof is now damaged or injured as result of any fire, explosion, accident, flood or other casualty or has been the subject of any

taking, and to the knowledge of Mortgagor, no taking is pending or contemplated.

(h) That any brokerage commissions due in connection with the transactions contemplated hereby have been paid in full and that any such commissions coming due in the future will be promptly paid by Mortgagor. Mortgagor agrees to and shall indemnify Mortgagee from any liability, claims or losses arising by reason of any such brokerage commissions. This provision shall survive the repayment of the Note and shall continue in full force and effect so long as the possibility of such liability, claims or losses exists.

(i) That the financial statements of Mortgagor and any guarantor previously delivered to Mortgagee are true and correct in all respects, have been prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the respective financial conditions of Mortgagor and any guarantor as of the respective dates thereof and the results of their operations for the periods covered thereby; that no adverse change has occurred in the assets, liabilities, or financial conditions reflected therein since the respective dates thereof; and that no additional borrowings have been made by Mortgagor or any guarantor since the date thereof other than the borrowing contemplated hereby.

(j) That all federal, state and other tax returns of Mortgagor and any guarantor required by law to be filed have been filed, that all federal, state and other taxes, assessments and other governmental charges upon Mortgagor and any guarantor or their respective properties which are due and payable have been paid, and that Mortgagor and any guarantor have set aside on their books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods for which such returns have been filed.

(k) That Mortgagor has made no contract or arrangement of any kind or type whatsoever (whether oral or written, formal or informal), the performance of which by the other party thereto could give rise to a lien or encumbrance on the Mortgaged Property, except for contracts (all of which have been disclosed in writing to Mortgagee) which, in the opinion of Mortgagee's counsel, will not create rights in existing or future lien claimants which may be superior to the lien of the Mortgage.

(l) That the rights of way for all roads necessary for the full utilization of the Improvements for their intended purposes have either been acquired by the Mortgagor, the appropriate governmental authority or have been dedicated to public use and accepted by such governmental authority, and all such roads shall have been completed, or all necessary steps shall have been taken by Mortgagor and such governmental authority to assure the

complete construction and installation thereof prior to the date upon which access to the Mortgaged Property via such roads will be necessary. All curb cuts, driveway permits and traffic signals necessary for access to the Mortgaged Property are existing or have been fully approved by the appropriate governmental authority.

(m) That no Event of Default (hereinbelow defined) exists and no event which but for the passage of time, the giving of notice or both would constitute an Event of Default has occurred.

2. THE INDEBTEDNESS. Mortgagor will pay the indebtedness as provided in the Note or in any modification, renewal or extension of the Note.

3. INSURANCE. At all times that the Note is outstanding, including without limitation during any construction period (a "Construction Period"), Mortgagor shall maintain insurance with respect to the Premises the Improvements and the Chattels against such risks and for such amounts as are customarily insured against by businesses of like size and type paying, as the same become due and payable, all premiums in respect thereto, including but not limited to:

(a) Prior to completion of construction of the Improvements, if the same have not been completed, builder's risk all risk (or equivalent coverage) insurance upon any work done or material furnished in connection with construction of the Improvements, issued to Mortgagor and Mortgagee and written in non-reporting completed form in the principal amount of the Note and with respect to the Improvements and at such time that builder's risk insurance shall not be available due to completion of the construction of the Improvements, or if all Improvements have been completed, insurance protecting the interests of the Mortgagor and Mortgagee as their interests may appear against loss or damage to the Improvements by fire, lightning, flood and other casualties normally insured against, with a uniform standard extended coverage endorsement, such insurance at all times to be in an amount of the Note or the total cash replacement value of the Improvements not covered by builder's risk insurance, as determined at least once every three years by a recognized appraiser or insurer selected by the Mortgagor and approved by the Mortgagee.

(b) Boiler and machinery insurance covering physical damage to the Improvements and to the major components of any central heating, air conditioning or ventilation systems and such other equipment as Mortgagee shall designate.

(c) Business income insurance in an amount sufficient to prevent Mortgagor from becoming a co-insurer within the terms of the applicable policies and sufficient to recover one (1) year's gross receipts from all sources of income for the Mortgaged

Property, including, without limitation, rental income (such rental income to be based upon the Mortgaged Property being occupied at a ninety five (95%) percent or more occupancy rate), plus the amount of real estate taxes assessed against the Mortgaged Property for the year prior to the issuance of the policy.

(d) Workers' compensation insurance, disability benefits insurance, and such other form of insurance which the Mortgagor is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of Mortgagor who are located at or assigned to the Premises or who are responsible for the construction of the Improvements.

(e) Insurance protecting Mortgagor and Mortgagee against loss or losses from liabilities imposed by law or assumed in any written contract and arising from personal injury and death or damage to the property of others caused by accident or occurrence, in such amounts as may be designated from time to time by Mortgagee, excluding liability imposed upon the Mortgagor by any applicable workers' compensation law, or such other amounts as may be required in writing by the Mortgagee; and a blanket excess liability policy in an amount reasonably satisfactory to the Mortgagee protecting Mortgagor and Mortgagee against any loss or liability or damage for personal injury or property damage.

4. OTHER INSURANCE PROVISIONS. All insurance required under this Mortgage shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Mortgagor and authorized to write such insurance in the State of New York and acceptable to the Mortgagee. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other entities engaged in businesses similar in size, character and other respects to those in which the Mortgagor is engaged. All policies evidencing such insurance shall provide for (i) payment of the losses to Mortgagor and Mortgagee as their respective interests may appear, and (ii) at least thirty (30) days written notice to Mortgagor and Mortgagee prior to cancellation, reduction in policy limits or material change in coverage thereof. The insurance required by Section 2(a) shall contain a New York Standard mortgagee endorsement in favor of Mortgagee. All insurance required hereunder shall be in form, content and coverage satisfactory to the Mortgagee. The original policy, or a certified duplicate copy thereof, for all insurance required hereby shall be delivered to Mortgagee. The proceeds of any insurance which are paid to the Mortgagee may be applied by the Mortgagee toward the payment of any monies secured by this Mortgage, or, may be paid over, wholly or in part, to the Mortgagor for the repair of the Improvements or for any other purpose or object satisfactory to the Mortgagee. Mortgagor shall deliver to Mortgagee at least thirty (30) days prior to the expiration date of any insurance coverages required hereunder, a certificate reciting that there is in full force and effect, with a term covering at

least the next succeeding year, insurance in the amounts and of the types required hereunder.

5. ALTERATIONS. No Improvements shall be structurally altered, removed or demolished without the prior written consent of Mortgagee.

6. APPOINTMENT OF RECEIVER. Mortgagee in any action to foreclose this Mortgage shall be entitled, without notice and as a matter of right and without regard to the adequacy of any security of the indebtedness or the solvency of Mortgagor, upon application to any court having jurisdiction, to the appointment of a receiver of the rents, income and profits of the Mortgaged Property.

If an Event of Default (hereinbelow defined) occurs under this Mortgage, as a matter of right and without regard to the adequacy of any security for the Note, the Mortgagor, upon demand of the Mortgagee, shall surrender the possession of, and it shall be lawful for Mortgagee, by such officer or agent as it may appoint, to take possession, of all or any part of the Mortgaged Property together with the books, papers, and accounts of the Mortgagor pertaining thereto, and to hold, operate and manage the same, and from time to time to make all needed repairs and improvements as Mortgagee shall deem wise; and, if Mortgagee deems it necessary or desirable, to complete construction and equipping of any Improvements and in the course of such construction or equipping to make such changes to the same as it may deem desirable; and Mortgagee may sell the Mortgaged Property or any part thereof, or institute proceedings for the complete or partial foreclosure of the lien of this Mortgage on the Mortgaged Property, or lease the Premises or any part thereof in the name and for the account of the Mortgagee and collect, receive and sequester the rents, revenues, earnings, income, products and profits therefrom, and out of the same and any other monies received hereunder pay or provide for the payment of, all proper costs and expenses of taking, holding, leasing, selling and managing the same, including reasonable compensation to Mortgagee, its agents and counsel, and any charges of Mortgagee hereunder, and any taxes and other charges prior to the lien of this Mortgage which Mortgagee may deem it wise to pay.

7. PAYMENT OF TAXES. Mortgagor will pay or cause to be paid (through escrow account or otherwise) all taxes, assessments, sewer rents or water rates or sums due under any payment in lieu of tax agreement ("Pilot Agreement") and in default thereof, Mortgagee may pay the same. In the event that Mortgagee shall pay any such tax, assessment, sewer rent or water rate, Mortgagee shall have the right, among other rights, to declare the amount so paid with interest thereon immediately due and payable, and upon default of Mortgagor in paying any such amount with interest thereon, Mortgagee shall have the right to foreclose for such amount subject

to the continuing lien of this Mortgage for the balance of the mortgage indebtedness not then due.

In the event that the Mortgagor should fail to pay any sum the Mortgagor has agreed to pay pursuant to this covenant for a period in excess of sixty (60) days after the same is due and payable, in addition to any other remedies available to the Mortgagee hereunder, the Mortgagee may, at its option, require that the Mortgagor deposit with the Mortgagee, monthly, one-twelfth (1/12th) of the annual charges for taxes and any other sums the Mortgagor is obligated to pay pursuant to this covenant and the Mortgagor shall make such deposits with the Mortgagee. The Mortgagor shall simultaneously therewith deposit with the Mortgagee a sum of money which together with the monthly installments aforementioned will be sufficient to make payment of all sums required to be paid hereunder at least thirty (30) days prior to the due date of such payments, it being understood that the Mortgagee shall calculate the amount of such deposits and notify the Mortgagor of the sum due. Should an Event of Default (hereinbelow defined) occur, the funds deposited with the Mortgagee pursuant to this provision may be applied in payment of the charges for which said funds shall have been deposited or to the payment of any other sums secured by this Mortgage as the Mortgagee sees fit.

8. PAYMENT OF MORTGAGE TAXES. Mortgagor shall pay all taxes imposed pursuant to Article 11 of the Tax Law or any other statute, order or regulation, whether said tax is imposed at the time of recording or subsequent thereto. This obligation shall survive the satisfaction or other termination of this Mortgage. Mortgagee shall pay the tax imposed by Section 253 1-a(a), if applicable, if the Mortgaged Property consists of real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential units, each dwelling unit having its own separate cooking facilities.

9. STATEMENT OF AMOUNT DUE. Mortgagor, within five (5) days upon request in person or within fifteen (15) days upon request by mail, will furnish a written statement duly acknowledged of the amount due on this Mortgage and whether any offsets or defenses exist against the said indebtedness.

10. NOTICES. Any notices required or permitted to be given hereunder shall be: (i) personally delivered or (ii) given by registered or certified mail, postage prepaid, return receipt requested, or (iii) forwarded by overnight courier service, in each instance addressed to the addresses set forth at the head of this Mortgage, or such other addresses as the parties may for themselves designate in writing as provided herein for the purpose of receiving notices hereunder. All notices shall be in writing and shall be deemed given, in the case of notice by personal delivery, upon actual delivery, and in the case of appropriate mail or

courier service, upon deposit with the U.S. Postal Service or delivery to the courier service.

11. WARRANTY OF TITLE. Mortgagor warrants the title to the Premises, Improvements and Chattels.

12. SALE IN ONE PARCEL. In case of a sale, the Premises may be sold in one parcel together with the Improvements and Chattels. Should the Premises consist of more than one parcel, in the event of a foreclosure of this Mortgage or any mortgage at any time consolidated with this Mortgage, Mortgagor agrees that Mortgagee shall be entitled to a judgment directing the referee appointed in the foreclosure proceeding to sell all of the parcels constituting the Premises at one foreclosure sale, either as a group or separately and that the Mortgagor expressly waives any right that it may now have or hereafter acquire to (i) request or require that the parcels be sold separately or (ii) request, if Mortgagee has elected to sell parcels separately, that there be a determination of any deficiency amount after any such separate sale or otherwise require a calculation of whether said parcel or parcels separately sold were conveyed for their "fair market value".

13. ASSIGNMENT OF RENTS AND LEASES. The rents, income, security deposits and profits of the Premises and all leases at any time existing are hereby assigned to Mortgagee as further security for the payment of said indebtedness, and Mortgagor shall, on demand, surrender possession of the Premises and Improvements and Chattels to Mortgagee, and hereby consents that, at any time after such demand, Mortgagee may enter upon and take possession of the Premises and Improvements and Chattels and let the same and collect all rents, income and profits therefrom which are due or to become due and apply the same, after payment of all charges and expenses, on account of any part of said indebtedness, whether matured or not, but Mortgagee hereby waives the right to enter upon and take possession of the Premises and Improvements and Chattels for the purpose of collecting said rents, income and profits, and Mortgagor shall be entitled to collect and receive said rents, income and profits (except as might be otherwise provided in any assignment of rents and leases executed in connection with this Mortgage), until the occurrence of an Event of Default. If an Event of Default occurs, Mortgagee, by virtue of such right to possession, or as the agent of Mortgagor may dispossess, by the usual summary proceedings, any tenant then or thereafter in default in the payment of any rent, and Mortgagor hereby irrevocably appoints Mortgagee the agent of Mortgagor for such purpose. In the event that Mortgagor is an occupant of the Premises or the Improvements, Mortgagor agrees to surrender possession of the Premises or Improvements so occupied as Mortgagee may demand and in default of so doing, Mortgagor may also be dispossessed by the usual summary proceedings. Mortgagor makes these covenants for the benefit of Mortgagee and any subsequent owner of the Mortgaged Property and these covenants shall become effective immediately after the

happening of any Event of Default solely on the determination of Mortgagee, provided Mortgagee shall give notice of such determination to Mortgagor. In case of foreclosure and the appointment of a receiver of rents, the covenants herein contained shall inure to the benefit of such receiver.

14. NEGATIVE COVENANTS. Mortgagor will not (i) execute an assignment of the rents, income or profits, or any part thereof from the Mortgaged Property except to Mortgagee, or (ii) except where the tenant is in default thereunder, terminate or consent to the cancellation or surrender of any lease of the Premises or Improvements or of any part thereof, now existing or hereafter to be made, having an unexpired term of two (2) years or more, except that any lease may be canceled provided that promptly after the cancellation or surrender thereof a new lease is entered into with a new tenant having a credit standing, in the judgment of the Mortgagee, at least equivalent to that of the tenant whose lease was canceled, on substantially the same terms as the terminated or canceled lease, or modify any such lease so as to shorten the unexpired term thereof or so as to decrease the amount of the rents payable thereunder, or (iii) accept prepayments of any installments or rents to become due under such leases, except prepayments in the nature of security for the performance of the tenants thereunder, (iv) in any other manner impair the value of the Mortgaged Property or the security of this Mortgage, or (v) further encumber, alienate, hypothecate, grant a security interest in or grant any other interest whatsoever in the Mortgaged Property. Restrictions (ii) and (iii) are made with reference to Section 291-f of the Real Property Law and actions in violation of those provisions shall be voidable at the option of the Mortgagee. No rent reserved under any lease of the Premises or Improvements has been assigned or anticipated, and no rent for any period subsequent to the date hereof has been collected in advance of the due date thereof. Mortgagor will not execute any lease of all or a substantial portion of the Premises or Improvements except for actual occupancy by the tenant thereunder, and will at all times promptly and faithfully perform, or cause to be performed, all of the covenants, conditions and agreements contained in all leases of the Premises or Improvements now or hereafter existing, on the part of the landlord thereunder to be kept and performed and will at all times do all things necessary to compel performance by the tenant under each lease of all obligations, covenants and agreements by such tenant to be performed thereunder. If any of such leases provide for the giving by the tenant of certificates with respect to the status of such leases, Mortgagor shall exercise its right to request such certificates within five (5) days of any demand therefor by Mortgagee. Mortgagor shall furnish to Mortgagee, upon request of Mortgagee to do so, a written statement containing the names of all tenants of the Premises or Improvements, the terms of their respective leases, the space occupied and the rentals payable thereunder.

15. APPRAISAL; LOAN TO VALUE RATIO. For the purposes of this Section, the following terms shall be defined as follows:

(a) "Appraisal" shall mean an appraisal of the fair market value of the Mortgaged Property prepared by an Appraiser.

(b) "Appraiser" shall mean an appraiser selected by Mortgagor and approved by Mortgagee.

(c) "Loan To Value Ratio" shall mean the percentage obtained by dividing the then outstanding principal balance under the Note by the fair market value of the Premises set forth in the Appraisal.

(d) "Target Loan To Value Ratio" shall mean Sixty (60%) percent or less.

Within ninety (90) days from the date Mortgagee has mailed a written notice to Mortgagor requesting the same, Mortgagor shall provide Mortgagee, at Mortgagor's expense, with an Appraisal of the Mortgaged Property. An Appraisal may be required not more frequently than once every twelve (12) months except that it may also be required prior to any extension or renewal of the Note.

When Mortgagee receives the Appraisal, it will determine the Loan To Value Ratio and if the Loan To Value Ratio is greater than the Target Loan To Value Ratio, the Mortgagor must, within thirty (30) days after receipt of the Appraisal, do one of the following:

(e) Provide Mortgagee with collateral in addition to the Mortgaged Property (and any other collateral for the Note) which is in all respects acceptable to the Mortgagee which will reduce the Loan To Value Ratio to the Target Loan To Value Ratio; or

(f) Make such principal payments (which will be accepted by Mortgagee without the payment of any prepayment penalty chargeable under the Note) as will reduce the principal balance of the Note to an amount which will reduce the Loan To Value Ratio to the Target Loan To Value Ratio; or

(g) Pay all sums due Mortgagee under the Note or any other Loan Document (as that term is defined in the Note).

16. BOOKS AND RECORDS.

(a) In addition to any requirements elsewhere in the Loan Documents, Mortgagor shall keep and maintain at all times at Mortgagors' addresses stated in this Mortgage, or such other place as Mortgagee may approve in writing, complete and accurate books of accounts and records adequate to reflect correctly the results of the operation of the Mortgaged Property and copies of all written contracts, leases and other instruments which affect the Mortgaged

Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection at any reasonable time by Mortgagee.

(b) Upon request of Mortgagee in writing, Mortgagor shall promptly provide Mortgagee with all documents reasonably requested by Mortgagee prepared in the form and manner called for in such request and as may reasonably relate to the operation or condition thereof, or the financial condition of Mortgagor or any party obligated on the Note or under any guaranty, including, without limitation, all leases or leasehold interests granted to or by Mortgagor, rent rolls and tenant lists, rent and damage deposit ledgers, operating statements, profit and loss statements and balance sheets, personal financial statements of Mortgagor or income tax returns (including quarterly returns), any or all of which documents shall be audited or certified as true and accurate by a certified public accountant, if requested by Mortgagee, and shall cover such period or periods as may be specified by Mortgagee.

(c) In addition, Mortgagor shall promptly furnish or cause to be furnished to Mortgagee, to the extent any tenant prepares the same or the same are required by any tenant's lease, annual financial statements of any tenant of the Mortgaged Property where such tenant leases fifteen (15%) percent or more of the gross leasable area of the Improvements, each such statement to be delivered as soon as practicable following the end of each fiscal year of such tenant, but in any event within one hundred twenty (120) days thereafter, and each such statement to include balance sheets, statements of operations and statements of changes in financial position as of the end of such year.

17. FUTURE LAWS. In the event of the passage after the date of this Mortgage of any federal, state or municipal law, deducting from the value of land for the purposes of taxation any lien thereon, or changing in any way, the laws for the taxation of mortgages or debts secured by mortgages, or the manner of collection of any such taxes, so as to affect Mortgagee, this Mortgage, or said indebtedness, Mortgagee shall have the right to give thirty (30) days' written notice to Mortgagor requiring the payment of said indebtedness. If such notice be given, said indebtedness shall become due, payable and collectible at the expiration of said thirty (30) days.

18. PROVISIONS REGARDING GAINS TAX LAW.

(a) Mortgagor will pay all taxes, filing fees and other charges (collectively, the "Article 31-B Expenses") imposed or payable under the provisions of Article 31-B of the New York State Tax Law (the "Gains Tax Law"), in connection with any transfer of the Mortgaged Property by the Mortgagor or the Mortgagee, including the making or satisfaction of this Mortgage, the taking of any

action permitted to be taken hereunder by the Mortgagee, the granting of a deed or assignment in lieu of foreclosure, the appointment of a receiver or any transfer pursuant to any sale of the Mortgaged Property on a foreclosure, or by deed in lieu of foreclosure, of any prior or subordinate mortgage.

(b) The Mortgagor shall, from time to time, within fifteen (15) days after request by the Mortgagee but no more than once each year except after an Event of Default, furnish to the Mortgagee, a statement (which may be relied upon by any person) setting forth in detail satisfactory to the Mortgagee any changes to the basis (as defined in the Gains Tax Law) of the Mortgaged Property (determined in accordance with the Gains Tax Law), which statement shall be certified as true and correct by Mortgagor, together with copies of detailed supporting evidence of such changes satisfactory to the Mortgagee, including, without limitation, copies of all paid invoices and contracts for materials and services furnished.

(c) The Mortgagor represents and warrants that it has furnished to the Mortgagee all information and data necessary to establish the Mortgagor's "original purchase price" (as such term is defined in the Gains Tax Law) for the purpose of determining any Article 31-B Expenses that may become payable by the Mortgagor pursuant to the Gains Tax Law on a transfer of the Mortgaged Property (the term "transfer" as used in this Section being defined in subdivision 7 of Section 1440 of the Gains Tax Law).

(d) The provisions of this Section shall survive any sale of the Mortgaged Property or a foreclosure of this Mortgage or by deed in lieu of foreclosure.

19. PROVISIONS REGARDING USE OF MORTGAGED PROPERTY.
Mortgagor warrants and represents that:

(a) Mortgagor is not responsible for any action or omission, and does not know of any action or omission by any prior owner, that would cause the Mortgaged Property to be subject to forfeiture pursuant to any law, rule or regulation (a "Forfeiture").

(b) The Mortgaged Property has not been acquired with any proceeds from a transaction or an activity that would cause the Mortgaged Property to be subject to Forfeiture.

Mortgagor covenants that Mortgagor will not use, and will not permit any third party to use, the Mortgaged Property or any portion thereof or interest therein for any purpose or activity that would cause a Forfeiture thereof.

20. ACTIONS AND PROCEEDINGS. If any action or proceeding be commenced to which action or proceeding Mortgagee is made a party

and in which it becomes necessary in the opinion of Mortgagee to defend or uphold the lien of this Mortgage, all sums paid by Mortgagee for the expense of any litigation to prosecute and defend the rights and lien created by this Mortgage, including reasonable counsel fees, costs and allowances, shall, together with interest thereon be a lien on the Mortgaged Property and secured by this Mortgage and shall be collectible in like manner as said indebtedness and shall be paid by Mortgagor on demand.

21. SECURITY INTEREST UNDER THE UNIFORM COMMERCIAL CODE. Mortgagee is authorized to sign such agreement as the agent of Mortgagor in addition to this Mortgage as Mortgagee at any time may deem necessary or proper or require to grant to Mortgagee a perfected security interest in the Chattels. Mortgagor hereby authorizes Mortgagee to file financing statements (as such term is defined in said Uniform Commercial Code) with respect to the Chattels, at any time, without the signature of Mortgagor. Mortgagor will, however, at any time upon request of Mortgagee, sign such financing statements. Mortgagor will pay all filing fees for the filing of such financing statements and for the refileing thereof at the times required, in the opinion of Mortgagee, by said Uniform Commercial Code. If the lien of this Mortgage be subject to any security agreement covering the Chattels, then in the event of any default under this Mortgage, all the right, title and interest of Mortgagor in and to any and all of the Chattels is hereby assigned to Mortgagee, together with the benefit of any deposits or payments now or hereafter made thereof by Mortgagor or the predecessors or successors in title of Mortgagor in the Mortgaged Property.

22. CONDEMNATION. Any and all awards heretofore and hereafter made to Mortgagor and all subsequent owners of the Mortgaged Property by any governmental or other lawful authorities for the taking by eminent domain of the whole or any part of the Mortgaged Property or any easement therein, including any awards for any changes of grade of streets, are hereby assigned to Mortgagee, who is hereby authorized to collect and receive the proceeds of any such awards from such authorities, to give proper receipts and acquittances therefor and to apply the same toward the payment of the amount owing on account of this Mortgage and said indebtedness, notwithstanding the fact that the amount owing thereon may not then be due and payable; and Mortgagor hereby covenants and agrees, upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning the aforesaid awards to Mortgagee free, clear and discharged of any and all encumbrances of any kind or nature whatsoever. Mortgagor shall continue to make all payments required by the Note until any such award shall have been actually received by Mortgagee and any reduction in said indebtedness resulting from the application by Mortgagee of such award shall be deemed to take effect only on the date of such receipt.

Notwithstanding the foregoing, if any one or more of the portions of the Mortgaged Property described in subparagraphs (a), (b) and (c) below shall be damaged or taken through condemnation, either temporarily or permanently, then the entire balance due under the Note and any other Loan Documents shall, at the option of Mortgagee, become immediately due and payable:

(a) Any portion or portions of the Improvements or the support or foundation of any portion or portions of the Improvements; or

(b) Ten (10%) percent or more of any parking area; or

(c) Any portion or portions of the Premises which, when so damaged or taken, would result either in (i) an impairment of access to the Improvements from the publicly dedicated rights of way now adjoining the Premises, or (ii) the failure of the Improvements to comply with any building code, zoning or other governmental laws or regulations, lease or other agreement to which the Mortgaged Property is subject.

Mortgagor authorizes Mortgagee, at Mortgagee's option, as attorney in fact for Mortgagor, to commence, appear in and prosecute in Mortgagor's or Mortgagee's name, any action or proceeding relating to any condemnation or other taking of the Mortgaged Property and to settle or compromise any claim in connection with such condemnation or other taking.

23. TITLE TO MORTGAGED PROPERTY. Mortgagor is now the owner of the Mortgaged Property upon which this Mortgage is a valid first lien for the amount above specified, with interest thereon at the rate set forth in the Note and there are no defenses or offsets to this Mortgage or to the said indebtedness.

24. LEASES OF THE MORTGAGED PROPERTY. Mortgagor will not lease docks on other than an individual dock basis and will not lease all or any portion of the Mortgaged Property for a period in excess of three (3) years without the prior written consent of Mortgagee. Mortgagor, at Mortgagee's request, shall furnish Mortgagee with executed copies of all leases hereafter made of all or any part of the Mortgaged Property. Upon Mortgagee's request, Mortgagor shall make a separate and distinct assignment to Mortgagee, as additional security, of all leases hereafter made a part of the Mortgaged Property.

25. TRANSFER OF MORTGAGED PROPERTY. In the event of the sale, conveyance or transfer, by deed, any other voluntary or involuntary act or by operation of law or otherwise (including the entry into any land sale contract or other similar agreement) of any interest in any of the stock of Mortgagor, if Mortgagor be a corporation, or partnership interest, if Mortgagor be a partnership, or of the Mortgaged Property or a part thereof, while

this Mortgage shall remain a lien thereon, the full balance of the indebtedness then remaining unpaid, with interest, shall, at the option of the Mortgagee, or its assigns, be immediately due and payable without notice or demand unless the prior written consent of the Mortgagee to such sale, conveyance, or transfer shall have been obtained. A mortgage of the Mortgaged Property to any mortgagee other than the Mortgagee shall be deemed a conveyance for the purpose of this Section. Notwithstanding the foregoing, a transfer of a membership interest in the Mortgagor shall not constitute a violation of this covenant.

26. ACCESS. Mortgagee, by its employees or agents, shall at all times have the right to enter upon the Mortgaged Property during reasonable business hours for the purpose of examining and inspecting the same.

27. REAL PROPERTY LAW. All covenants hereof, which are in addition to those set forth in Sections 254 and 291-f of the Real Property Law, shall be construed as affording to Mortgagee rights additional to, and not exclusive of, the rights conferred under the provisions of said Sections 254 and 291-f.

28. PERFORMANCE OF MORTGAGOR'S COVENANTS BY MORTGAGEE. In the event of any default in the performance of any of the covenants, terms, or provisions of Mortgagor under this Mortgage, Mortgagee may, at the option of Mortgagee, perform the same and the cost thereof, with interest, shall immediately be due from Mortgagor to Mortgagee and secured by this Mortgage.

29. REMEDIES NOT EXCLUSIVE. Mortgagee shall have the right from time to time, to take action to recover any amounts of past due principal indebtedness and interest thereon, or any installment of either, or any other sums required to be paid under the covenants, terms and provisions of this Mortgage or the Note, as the same become due, whether or not the principal indebtedness secured, or any other sums secured by the Note or this Mortgage shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any other action, for default or defaults by Mortgagor existing at the time such earlier action was commenced.

30. ADDITIONAL ACTS AND DOCUMENTS. Mortgagor covenants that it will do, execute, acknowledge, deliver, file and/or record, or cause to be recorded every and all such further acts, deeds, conveyances, advances, mortgages, transfers and assurances, in law as Mortgagee shall require for the better assuring, conveying, transferring, mortgaging, assigning and confirming unto Mortgagee all and singular the Mortgaged Property.

31. REMEDIES CUMULATIVE. The rights and remedies herein afforded to Mortgagee shall be cumulative and supplementary to and

not exclusive of any other rights and remedies afforded the holder of this Mortgage and the Note.

32. SUCCESSORS. All of the provisions of this Mortgage shall inure to the benefit of Mortgagee and of any subsequent holder of this Mortgage and shall be binding upon Mortgagor and each subsequent owner of the Mortgaged Property.

33. EFFECT OF RELEASES. Mortgagee, without notice, may release any part of the security described herein, or any person or entity liable for any indebtedness secured hereby without in any way affecting the lien hereof upon any part of the security not expressly released, and may agree with any party obligated on said indebtedness or having any interest in the security described herein to extend the time for payment of any part or all of the indebtedness secured hereby. Such agreement shall not in any way release or impair the lien hereof, but shall extend the lien hereof as against the title of all parties having any interest in said security, which interest is subject to said lien, and no such release or agreement shall release any person or entity obligated to pay any indebtedness secured hereby.

34. WAIVERS. Any failure by Mortgagee to insist upon the strict performance by Mortgagor of any of the covenants, terms and provisions of this Mortgage shall not be deemed to be a waiver of any of the covenants, terms and provisions of this Mortgage, and Mortgagee, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by Mortgagor of any and all of the covenants, terms and provisions of this Mortgage to be performed by Mortgagor. Neither Mortgagor nor any other person or entity now or hereafter obligated for the payment of the whole or any part of said indebtedness shall be relieved of such obligation by reason of (i) the failure of Mortgagee to comply with any request of Mortgagor, or of any other person or entity so obligated, (ii) the failure of Mortgagee to take action to foreclose this Mortgage or otherwise enforce any of the covenants, terms and provisions of this Mortgage or the Note, (iii) the release, regardless of consideration, of the whole or any part of the security held for payment of said indebtedness or (iv) any agreement or stipulation between any subsequent owner or owners of the Mortgaged Property and Mortgagee modifying the covenants, terms and provisions of this Mortgage or the Note without first having obtained the consent of Mortgagor or such other person or entity. In the last mentioned event, Mortgagor and all such other persons or entities shall continue liable to make such payments according to the terms and provisions of any such agreement or extension or modification unless expressly released and discharged in writing by Mortgagee. Mortgagee may release, regardless of consideration, any part of the security held for payment of said indebtedness without, as to the remainder of the security, in any way impairing or affecting the lien of this Mortgage or the priority of such lien over any subordinate lien. Mortgagee may resort for the payment of

said indebtedness to any other security therefor held by Mortgagee in such order and manner as Mortgagee may elect.

35. INTEREST ON ADVANCES. Wherever, under the provisions of this Mortgage or by law, Mortgagee is entitled to interest on advances made or expenses incurred, such interest shall be computed at a rate per annum which shall be the interest rate payable under the Note.

36. MORTGAGEE NOT OBLIGATED. Nothing herein contained shall be construed as making the payment of any insurance premiums, taxes or assessments obligatory upon Mortgagee, although Mortgagee may pay same, or as making Mortgagee liable in any way for loss, damage or injury, resulting from the non-payment of any such insurance premiums, taxes or assessments.

37. LIEN LAW. Mortgagor will, in compliance with Section 13 of the Lien Law, receive the advances secured by this Mortgage and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

38. ENVIRONMENTAL WARRANTIES AND COVENANTS.

(a) Warranties. Mortgagor makes the following representations and warranties: (i) Mortgagor which is the present owner of the mortgaged property knows of no action or proceeding by any governmental entity pending against it in any jurisdiction which alleges a violation of laws, ordinances, rules, regulations or restrictions by Harris Bay Yacht Club, Inc. (ii) Mortgagor knows of no occasion when the mortgaged property has been used for the disposal storage treatment processing or other handling of any hazardous or toxic substances other than as set forth in the letter of Harris Bay Yacht Club, Inc. dated April 20, 1994, the letter of TTDM Management Co., Inc. dated March 16, 1994, the letter of Michael's Marine Service dated March 16, 1994 and the letter of Yardarm Development Associates dated August 9, 1989 (iii). The Mortgagor knows of no liens by any governmental entity filed against the mortgaged property.

(b) Inspection. Mortgagor agrees that Mortgagee or its agents or representatives may for cause, at any reasonable time and at Mortgagor's expense inspect Mortgagor's books and records and inspect and conduct any tests on the Mortgaged Property including taking soil samples in order to determine whether Mortgagor is in continuing compliance with the Laws.

(c) Agreement to Comply. If any environmental contamination is found on the Mortgaged Property for which any removal or remedial action is required pursuant to Law, ordinance,

order, rule, regulation or governmental action, Mortgagor agrees that it will at its sole cost and expense, take such removal or remedial action promptly and to Mortgagee's satisfaction.

(d) Indemnification. Mortgagor agrees to defend, indemnify and hold harmless Mortgagee, its employees, agents, officers and directors from and against any claims, actions, demands, penalties, fines, liabilities, settlements, damages, costs or expenses (including, without limitation, attorney and consultant fees, investigations and laboratory fees, court costs and litigation expenses of whatever kind or nature known or unknown, contingent or otherwise) arising out of or in any way related to: (i) the past or present disposal, release or threatened release of any hazardous or toxic substances on the Mortgaged Property; (ii) any personal injury (including wrongful death or property damage, real or personal) arising out of or related to such hazardous or toxic substances; (iii) any lawsuit brought or threatened, settlement reached or government order given relating to such hazardous or toxic substances; and/or (iv) any violation of any law, order, regulation, requirement, or demand of any government authority, or any policies or requirements of Mortgagee, which are based upon or in any way related to such hazardous or toxic substances.

(e) Other Sites. Except as disclosed at (a), Mortgagor knows of no on-site or off-site locations where hazardous or toxic substances from the operation of any Improvement or otherwise have been stored, treated, recycled or disposed of.

(f) Leases. Mortgagor agrees not to lease or permit the sublease of the Mortgaged Property to a tenant or subtenant whose operations may result in contamination of the Mortgaged Property with hazardous or toxic substances.

(g) Non-Operation by Mortgagee. Mortgagor acknowledges that any action Mortgagee takes under this Mortgage shall be taken to protect Mortgagee's security interest only; Mortgagee does not hereby intend to be involved in the operations of the Mortgagor.

(h) Compliance Determinations. Mortgagor acknowledges that any determinations Mortgagee makes under this Section regarding compliance with environmental laws shall be made for Mortgagee's benefit only and are not intended to be relied upon by any other party.

(i) Survival of Conditions. The provisions of this Section shall be in addition to any other obligations and liabilities Mortgagor may have to Mortgagee at common law, and shall survive the transactions contemplated herein.

(j) Other Insurance. Mortgagee may, at its option, require Mortgagor to carry adequate insurance to fulfill Mortgagor's obligations under this Section.

(k) Definitions. The term "hazardous substance" shall include, without limit, any substance or material defined in 42 U.S.C. Section 9601 (as the same may be amended from time to time), the Hazardous Materials Transportation Act (as amended from time to time), and the New York Environmental Conservation Law or the Resource Conservation And Recovery Act (as each may be amended from time to time) and in any regulations adopted or publications promulgated pursuant to any of the foregoing.

39. EVENTS OF DEFAULT. The whole of the principal sum of the indebtedness secured hereby and interest thereon, and all other sums due and payable hereunder shall become due, at the option of Mortgagee, if one or more of the following events (an "Event of Default") shall happen:

(a) The occurrence of an "Event of Default" under the Note; or

(b) If Mortgagor defaults in the payment of any tax, water rate or sewer rent or payment under any Pilot Agreement against the Mortgaged Property for thirty (30) days after the same become due and payable or fails to exhibit to Mortgagee, within fifteen (15) days after demand, receipts showing payment of all taxes, water rates or sewer rents; or

(c) The actual or threatened removal, demolition or structural alteration, in whole or of any substantial part, of any Improvement, without the prior written consent of Mortgagee; or the removal, demolition or destruction in whole or in part, of any Chattels without replacing the same with Chattels at least equal in quality and condition to those replaced, free from any security interest or other encumbrance thereon and free from any reservation of title thereto; or the commission of any waste in respect to the Mortgaged Property; or

(d) Failure of Mortgagor to pay within fifteen (15) days after notice and demand any installment of any assessment made against the Premises for local improvements, heretofore or hereafter made, which assessment is, or may become, a lien on the Premises prior to the lien of this Mortgage; or

(e) Failure of Mortgagor to pay the said indebtedness secured by this Mortgage within (30) days after notice and demand, in the event of the passage after the date of this Mortgage of any federal, state or municipal law deducting from the value of land for the purpose of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages, or of debts secured by mortgages, or the manner of collection of any such

taxes, so as to affect Mortgagee, this Mortgage or the indebtedness which is secured, notwithstanding that Mortgagor, before or after such notice, may have the option to pay or contest the payment of such tax; or

(f) Failure of Mortgagor to maintain the Improvements on the Premises in a rentable or tenatable state of repair to the satisfaction of Mortgagee, for thirty (30) days after notice of such failure has been given to Mortgagor, or to comply with any order or requirement of any municipal, state, federal or other governmental authority having jurisdiction of the Premises within thirty (30) days after such order or requirement shall have been issued by any such authority; or failure of Mortgagor or of any tenant holding under Mortgagor, to comply with any and all and singular the statutes, requirements, orders or decrees of any federal, state or municipal authority relating to the use of the Mortgaged Property, or of any part thereof; or failure of Mortgagor to observe and timely perform all of the covenants, terms and provisions contained in any lease now or hereafter affecting the Premises or the Improvements or any portion thereof, on the part of the landlord to be observed and performed; or

(g) Failure of Mortgagor, in the event of the entry of a final judgment for the payment of money against Mortgagor, to discharge such judgment or to have it stayed pending appeal within thirty (30) days from the entry thereof, or if such judgment shall be affirmed on appeal, the failure to discharge such judgment within thirty (30) days from the entry of such affirmance; or

(h) Failure of Mortgagor to pay within fifteen (15) days after notice and demand any filing or refiling fees required hereunder; or

(i) Failure of Mortgagor or any occupant of the Mortgaged Property, to allow or permit Mortgagee, or its duly authorized agent, to inspect said Mortgaged Property at any time and from time to time during reasonable business hours; or

(j) Default for fifteen (15) days after notice and demand in the observance or performance of any other covenant or agreement under this Mortgage; or

(k) Occurrence of an "Event of Default" under a Consolidated Promissory Note executed and delivered by Mortgagor to Mortgagee on even date herewith.

40. INTEREST TO ACCRUE. If the whole of the principal sum evidenced by the Note and interest, shall become due by exercise of the option of the Mortgagee after default by the Mortgagor under any of the terms, covenants and conditions of this Mortgage and/or the Note, or if the whole of said principal sum and interest shall mature and become due under the terms, covenants and conditions of

this Mortgage and the Note regardless of default, if any, on the part of the Mortgagor, then interest on said principal sum shall continue to accrue at the rate provided for in the Note, and in this Mortgage, until said principal sum is fully paid.

41. FLOOD INSURANCE. In addition to the terms and provisions of this Mortgage with regard to insurance, in the event the Premises are determined to be in a special flood hazard area as determined by any governmental agency, Mortgagor further covenants and agrees to fully insure the Premises and Improvements against loss or damage by flood, with coverage as is therein provided for by fire and other specified perils to the same extent and effect as if such flood insurance was therein specifically set forth.

42. COSTS, EXPENSES AND ATTORNEY'S FEES. Should one or more Events of Default occur hereunder, and should an action be commenced for the foreclosure of this Mortgage, Mortgagee shall be entitled to recover all sums due hereunder, statutory costs, and any additional allowances made pursuant to Section 8303(a) of the Civil Practice Law and Rules of the State of New York, and in addition thereto, reasonable attorneys' fees in such proceeding and in all proceedings related thereto necessary to and related to the foreclosing proceeding, and such amount shall be added to the principal balance and interest then due and shall be a lien on the Mortgaged Property prior to any right or title to, interest in or claim upon the Mortgaged Property attaching and accruing subsequent to the lien of this Mortgage, and shall be deemed to be secured by this Mortgage and the indebtedness which it secures.

43. INTERVENING LIENS. Should any agreement be hereafter entered into modifying or changing the terms of this Mortgage or the Note secured hereby in any manner, the rights of the parties to such agreement shall be superior to the rights of the holder of any intervening lien.

44. TERMS. It is understood and agreed that the words, "Mortgagor" and "Mortgagee" herein shall include the respective heirs, successors and assigns of Mortgagor and Mortgagee.

45. ENTIRE AGREEMENT. This Mortgage and the other Loan Documents constitute the entire understanding between Mortgagor, any guarantors, and Mortgagee and to the extent that any writings not signed by Mortgagee or oral statements or conversations at any time made or had shall be inconsistent with the provisions of this Mortgage and the other Loan Documents, the same shall be null and void.

46. GOVERNING LAW; SEVERABILITY. This Mortgage shall be governed by the law of the jurisdiction in which the Mortgaged Property is located. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the

Note which can be given effect without the conflicting provision, and to this end, the provisions of this Mortgage and the Note are declared to be severable.

47. TIME OF THE ESSENCE. Time is of the essence with respect to each and every covenant, agreement and obligation of Mortgagor under this Mortgage, the Note and any and all other Loan Documents.

48. INDEMNIFICATION; SUBROGATION; WAIVER OF OFFSET.

(a) Mortgagor shall indemnify, defend and hold Mortgagee harmless against: (i) any and all claims for brokerage, leasing, finders or similar fees which may be made relating to the Mortgaged Property or the loan which is the subject of the Note, and (ii) against any and all liability, obligations, losses, damages, penalties, claims, actions, suits, costs, and expenses (including its reasonable attorneys' fees, together with reasonable appellate counsel fees, if any) of whatever kind or nature which may be imposed on or incurred by Mortgagee at any time pursuant either to a judgment or decree or other order entered into by a court or administrative agency or to a settlement reasonably approved by Mortgagor, which judgment, decree, order or settlement relates in any way to or arises out of the offer, sale or lease of the Mortgaged Property and/or the ownership, use, occupation or operation of any portion of the Mortgaged Property.

(b) If Mortgagee is made a party defendant to any litigation concerning the loan which is the subject of the Note, this Mortgage, the Mortgaged Property, or any part thereof, or any interest therein, or the occupancy thereof, then Mortgagor shall indemnify, defend and hold Mortgagee harmless from all liability by reason of said litigation, including reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses incurred by Mortgagee in any such litigation, whether or not any such litigation is prosecuted to judgment. If Mortgagee commences an action against Mortgagor to enforce any of the terms hereof or to prosecute any breach by Mortgagor of any of the terms hereof or to recover any sum secured hereby, Mortgagor shall pay to Mortgagee such reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses. The right to such attorneys fees (together with reasonable appellate counsel fees, if any) and expenses shall be deemed to have accrued on the commencement of such action, and shall be enforceable whether or not such action is prosecuted to judgment. If Mortgagor breaches any term of this Mortgage, Mortgagee may employ an attorney or attorneys to protect its rights hereunder, and in the event of such employment following any breach by Mortgagor, Mortgagor shall pay Mortgagee reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses incurred by Mortgagee, whether or not an action is actually commenced against Mortgagor by reason of such breach.

(c) Mortgagor will attempt to obtain a waiver of subrogation from its insurance carrier and Mortgagor waives any and all right to claim or recover against Mortgagee, its officers, employees, agents and representatives, for loss of or damage to Mortgagor, the Mortgaged Property, Mortgagor's property or the property of others under Mortgagor's control from any cause insured against or required to be insured against by the provisions of this Mortgage.

(d) All sums payable by Mortgagor hereunder shall be paid without notice (except as may otherwise be provided herein), demand, counterclaim, set-off, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Mortgagor hereunder shall in no way be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Mortgaged Property or any part thereof; (ii) any restriction or prevention of or interference with any use of the Mortgaged Property or any part thereof; (iii) any title defect or encumbrance or any eviction from the Premises or the Improvements or any part thereof by title superior or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, or other like proceeding relating to Mortgagee, or any action taken with respect to this Mortgage by any trustee or receiver of Mortgagee, or by any court, in such proceeding; (v) any claim which Mortgagor has, or might have, against Mortgagee; (vi) any default or failure on the part of Mortgagee to perform or comply with any of the terms hereof or of any other agreement with Mortgagor; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not Mortgagor shall have notice or knowledge of any of the foregoing. Mortgagor waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution, or reduction of any sum secured hereby and payable by Mortgagor.

49. WAIVER OF JURY TRIAL. The Mortgagor and the Mortgagee hereby waive trial by jury in any litigation in any court with respect to, in connection with, or arising out of this Mortgage or any other Loan Document, or any instrument or document delivered in connection with the loan which is the subject of the Note, or the validity, protection, interpretation, collection or enforcement thereof, or the relationship between Mortgagor and Mortgagee as borrower and lender, or any other claim or dispute howsoever arising between the Mortgagor and Mortgagee.

50. TAX LAW SECTION 253 STATEMENT. Check one box only.

[] This Mortgage covers real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each having their own separate cooking facilities.

[X] This Mortgage does not cover real property improved as described above.

Where used herein, the word, "Mortgagor" may be read "Mortgagors" where applicable.

IN WITNESS WHEREOF, this Mortgage has been duly executed by Mortgagor.

HARRIS BAY YACHT CLUB, INC.

By [Signature]
Name: David G. Kling
Title: President

STATE OF NEW YORK)
COUNTY OF Albany) ss.:

On this 29th day of April, 1994, before me the subscriber personally appeared David G. Kling, who being by me duly sworn, did depose and say; that he resides in the Town of Guilderland, Albany County, New York; that he is President of Harris Bay Yacht Club, Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

[Signature]
NOTARY PUBLIC

g:\kb\harris.ejt\mortgage

BRIAN J. O'DONNELL
Notary Public, State of New York
Qualified in Albany County
No. 4624005
Commission Expires Oct. 31, 1994



Fidelity National Title

INSURANCE COMPANY OF NEW YORK

Title No. 4301-0005925

SCHEDULE A

AS that certain plot, pieces or parcels of land with the buildings and improvements thereon erected, (hereinafter referred to collectively as the "Property"), situate, lying and being in the Town of Oucenshury, County of Warren and State of New York, being part of lots 34 and 38 of the French Mountain Tract bounded and described as follows:

PARCEL 1

BEGINNING at an iron pipe set in the northerly line of New York State Route 9L in the division line between Lot 38 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses said Route 9L at a distance of 740 feet, more or less, westerly, measured along said Route 9L from the center line of the Cleverdale Road, running thence from the place of beginning, the following four courses and distances along the northerly bounds of New York State Route 9L, viz.: South 65 degrees 21 minutes 20 seconds West, 59.18 feet; South 71 degrees 55 minutes 20 seconds West, 554.74 feet; South 72 degrees 14 minutes 30 seconds West, 399.42 feet and South 75 degrees 19 minutes 40 seconds West, 314.37 feet; thence North 39 degrees 53 minutes 50 seconds West, and along the easterly line of lands of Robert A. Stewart, for a distance of 443.49 feet to the southerly shore of Lake George; thence in an easterly direction along said shore line, as it winds and turns, for a distance of 1920 feet, more or less; thence South 31 degrees 04 minutes 30 seconds East, and along the aforementioned division line between Lots 38 and 43 of the French Mountain Tract and along the westerly line of lands now or formerly of Ernest Kirchoff, for a distance of 438 feet, more or less; to the place of beginning,

PARCEL 2

BEGINNING at an iron pipe set in the southeasterly line of New York State Route 9L where said line is intersected by the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south, running thence from the place of beginning, North 43 degrees 40 minutes 30 seconds East, along the southeasterly bounds of New York State Route 9L, for a distance of 73.99 feet; thence North 83 degrees 28 minutes East, and along the southerly line of lands now or formerly of Hall and New York Telephone Company, for a distance of 137.79 feet; thence North 6 degrees 40 minutes 30 seconds West, and along the easterly line of said lands now or formerly of New York Telephone Company, for a distance of 76.57 feet to the southerly line of New York State Route 9L; thence the following eight courses and distances along the southerly line of New York State Route 9L, viz.: North 56 degrees 59 minutes 30 seconds East, 95.50 feet; North 62 degrees 55 minutes East, 187.78 feet; North 67 degrees 29 minutes 30 seconds East, 193.50 feet; North 72 degrees 22 minutes 20 seconds East, 192.32 feet; North 77 degrees 21 minutes 20 seconds East, 204.21 feet; North 82 degrees 08 minutes East, 197.37 feet; North 86 degrees 10 minutes 20 seconds East, 741.74 feet and North 74 degrees 02 minutes 40 seconds East, 292.10 feet to an iron pipe; thence South 5 degrees 11 minutes 20 seconds West, and along the westerly line of lands of the State of New York, for a distance of 830.87 feet to an iron pipe set in the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south; thence North 83 degrees 54 minutes 30 seconds West, along said division line and along the northerly line of Harry Pulver, now owned by the State of New York, for a distance of 588.79 feet to an iron pipe set in stones at the north-westerly corner of said lands formerly of Pulver; thence North 84 degrees 21 minutes 10 seconds West, along the division line between Lots 33 and 34 of the French Mountain Tract and along the northerly line of lands now or formerly of Harry Moyes, for a distance of 1555.53 feet to the place of beginning, more or less.

PARCEL 3

BEGINNING at an iron pipe set in the southerly line of New York State Route 9L and in the division line between Lot 38 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses New York State Route 9L at a distance of 740 feet, westerly, measured along said Route 9L from the center of the Cleverdale Road, running thence from the place of beginning, South 31 degrees 04 minutes 30 seconds East, along said division line, for a distance of 936.49 feet to an iron pipe; thence the following six courses

and distances along lands owned by the State of New York, viz. South 88 degrees 10 minutes 30 seconds West, 714.92 feet; North 18 degrees 41 minutes West, 212.06 feet; North 11 degrees 45 minutes West, 119.32 feet; North 12 degrees 59 minutes 50 seconds West, 259.09 feet; North 77 degrees 08 minutes 40 seconds West, 211.8 feet and North 33 degrees 04 minutes West, 10.04 feet to a point in the southerly line of New York State Route 9L; thence North 7 degrees 55 minutes 20 seconds East, along said southerly line, for a distance of 547.24 feet to an angle point therein; thence North 68 degrees 12 minutes 20 seconds East for a distance of 79.17 feet to the place of beginning,

INSUL

CONSOLIDATED PROMISSORY NOTE
(SECURED)

\$1,800,000.00

Albany, New York
Dated: April 29, 1994

WHEREAS, KEY BANK OF NEW YORK, a New York State banking corporation with an office and place of business at 66 South Pearl Street, Albany, New York 12207 ("Key Bank") is the holder of a note or notes (the "Notes") which are secured by a mortgage or mortgages (the "Mortgages") which are more particularly described in a Mortgage Consolidation, Extension And Modification Agreement (the "Modification Agreement") executed on even date herewith; and

WHEREAS, HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation with an office for the transaction of business on Route 9L, Cleverdale, New York (mailing address: P.O. Box 139, Cleverdale, New York 12820) (the "Borrower") and Key Bank desire to state the terms of repayment of the consolidated indebtedness evidenced by the Notes;

NOW, THEREFORE, FOR VALUE RECEIVED, Borrower promises to pay to the order of Key Bank the principal sum of One Million Eight Hundred Thousand and no/100ths (\$1,800,000.00) Dollars or so much thereof as may be advanced from time to time in accordance with the terms of this Note with interest on the unpaid principal balance of such amount from the date of this Note or such advance, as the case may be, at the Interest Rate (hereinafter defined). This Note evidences a loan (the "Loan") made, or so much thereof as may be made, by Key Bank to Borrower, in the principal amount hereof, and is secured by (a) the Mortgages (b) the Modification Agreement; (c) a security agreement dated on even date herewith from Borrower to Key Bank (the "Security Agreement") which, together with financing statements executed in conjunction therewith (the "Financing Statements"), creates a first lien security interest in certain personal property (the "Personal Property") more particularly described in the Security Agreement; (d) an assignment of certain notes (the "Member Notes") held by Borrower from Borrower to Key Bank (the "Assignment of Notes") and (e) such other security as may now or hereafter be given to Key Bank by Borrower as collateral for the Loan (the Mortgages, the Notes, the Modification Agreement, the Security Agreement, the Financing Statements, the Assignment of Notes, this Note and such other documents evidencing such other security which may hereafter be given as further security for, or in connection with, the Loan, being hereinafter collectively referred to as the "Loan Documents").

I

DEFINITIONS

(a) "AMORTIZATION PERIOD" shall mean fifteen (15) years commencing on the thirteenth (13th) day of the first month following execution of this Note.

(b) "BASE RATE" shall mean the rate of interest set, determined or announced on a periodic basis by Key Bank of New York as its "Base Rate" which rate of interest is not necessarily the lowest rate charged by Key Bank of New York on loans and other credits which may be extended by Key Bank of New York at rates both above and below the Base Rate.

(c) "DEFAULT INTEREST RATE" shall mean the Interest Rate (hereinbelow defined) plus four (4%) percent per annum.

(d) "FINAL INTEREST RATE" shall mean a fixed rate of interest equal to the Base Rate on the first (1st) day of the Final Period plus Two (2%) percent per annum.

(e) "FINAL PERIOD" shall mean May 13, 2004 through and including the Maturity Date.

(f) "INITIAL INTEREST RATE" shall mean Eight (8%) percent per annum.

(g) "INITIAL PERIOD" shall mean the period of time beginning with the date of this Note through and including May 12, 1999.

(h) "INTEREST RATE" shall mean the Initial Interest Rate for the Initial Period, the Subsequent Interest Rate for the Subsequent Period and the Final Interest Rate for the Final Period.

(i) "MATURITY DATE" shall mean April 13, 2009.

(j) "SUBSEQUENT INTEREST RATE" shall mean a fixed rate of interest equal to the Base Rate on the first (1st) day of the Subsequent Period plus Two (2%) percent per annum.

(k) "SUBSEQUENT PERIOD" shall mean May 13, 1999 through and including May 12, 2004.

II

INTEREST

(a) COMPUTATION OF INTEREST. Interest on the outstanding principal balance of this Note shall be computed on the basis of "a

360-day year for the actual number of days elapsed" (such phrase, as used throughout this Note, shall mean that in computing interest for the subject period, the interest rate shall be multiplied by a fraction, the denominator of which is 360 and the numerator of which is the actual number of days elapsed from the date of the first disbursement of the Loan or the date of the preceding interest and/or principal due date, as the case may be, to the date of the next interest and/or principal due date). Interest shall accrue until the date of receipt of payment.

(b) IMPLEMENTATION OF DEFAULT INTEREST RATE. Upon the occurrence of an Event of Default (hereinbelow defined), the computation of interest under this Note shall immediately and without further action by Key Bank be based upon the Default Interest Rate.

III

PAYMENT OF PRINCIPAL AND INTEREST

(a) PERIODIC PAYMENTS.

Beginning on the thirteenth (13th) day of May, 1994, installment payments in the amount of Seventeen Thousand Two Hundred One and 74/100ths (\$17,201.74) Dollars each shall be paid, such payments to continue monthly thereafter on the thirteenth (13th) day of each succeeding month through and including the payment due on April 13, 1999. On May 13, 1999, the Interest Rate shall automatically change to the Subsequent Interest Rate and the amount of the monthly payment for the Subsequent Period shall be recalculated to equal that amount necessary to amortize the then remaining principal balance of the Loan at the Subsequent Interest Rate over the number of months then remaining in the Amortization Period and said payments shall continue monthly thereafter on the first day of each succeeding month through and including the payment due on April 13, 2004. On May 13, 2004, the Interest Rate shall automatically change to the Final Interest Rate and the amount of the monthly payment for the Final Period shall be recalculated to equal that amount necessary to amortize the then remaining principal balance of the Loan at the Final Interest Rate over the number of months then remaining in the Amortization Period and said payments shall continue until the Maturity Date (or such earlier date in the event Key Bank accelerates Borrower's obligations hereunder), when the balance of principal plus accrued interest shall be due and payable. Except as set forth below, each installment payment shall be applied first to interest at the appropriate Interest Rate and the balance thereof, if any, shall be applied in reduction of principal.

(b) ADDITIONAL PRINCIPAL PAYMENTS.

In addition to the payments required at subparagraph (a) above, Borrower will also make principal payments against the sums due hereunder in amounts equal to amounts received by Borrower in the form of prepayments on the Member Notes.

IV

GENERAL CONDITIONS

(a) METHOD OF PAYMENT. All payments under this Note are payable at 66 South Pearl Street, Albany, New York 12207, or at such other place as Key Bank shall notify Borrower in writing. Key Bank reserves the right to require any payment on this Note, whether such payment is of a regular installment or represents a prepayment, to be by wired federal funds or other immediately available funds or to be paid at a place other than the above address.

(b) APPLICATION OF PAYMENTS RECEIVED. Except as may otherwise be provided in this Note, all payments received by Key Bank on this Note shall be applied by Key Bank to any unpaid Late Payment Charges or Prepayment Penalty (each hereinbelow defined), accrued and unpaid interest then due and owing and the reduction of principal of this Note, in such order and in such amounts as Key Bank may determine from time to time.

(c) LATE PAYMENT CHARGES. If Borrower fails to pay any amount of principal and/or interest on this Note for ten (10) days after such payment becomes due, whether by acceleration or otherwise, Key Bank may, at its option, whether immediately or at the time of final payment of the amounts evidenced by this Note, impose a late payment charge (the "Late Payment Charge") computed by multiplying the amount of each past due payment by four (4%) percent. Until any and all Late Payment Charges are paid in full, the amount thereof shall be added to the indebtedness secured by any of the Loan Documents. The Late Payment Charge is not a penalty and is deemed to be liquidated damages for the purpose of compensating Key Bank for the difficulty in computing the actual amount of damages incurred by Key Bank as a result of the late payment by Borrower.

(d) PREPAYMENT. Prepayment in part or in whole (including prepayment resulting from an acceleration of the sums due hereunder) may be made in whole or in part, provided Borrower notifies Key Bank of its intent to do so within 30 days of such prepayment, subject to a prepayment penalty (the "Prepayment Penalty") set forth below for the Prepayment Period:

<u>PREPAYMENT PERIOD</u>	<u>PENALTY PERCENTAGE</u>
Date of Note through May 12, 2004	2% of the principal balance outstanding
May 13, 2004 through April 12, 2009	1% of the principal balance outstanding

In the event Key Bank receives partial prepayments, or in the event that Key Bank shall receive proceeds of condemnation or insurance proceeds for application against the Loan, such prepayments and proceeds shall be applied to installments of principal in the inverse order of maturity and no Prepayment Penalty shall be deducted from such condemnation or insurance proceeds.

(e) REFUSAL TO MAKE FURTHER ADVANCES, ACCELERATION AND DEFAULT. If:

(i) Borrower fails to pay any sum due on this Note within ten (10) days of the date the same is due; or

(ii) Borrower shall fail to perform any other covenant, obligation or agreement required to be performed by Borrower under this Note, for fifteen (15) days after Key Bank has given written notice of such failure to Borrower; or

(iii) Any warranty or representation made or given by Borrower or any financial or other statement submitted by or on behalf of Borrower, or any Guarantor in any instrument furnished in compliance with or in reference to this Note or the Loan Documents be false or misleading in any material respect; or

(iv) Borrower or any Guarantor shall generally not be paying debts as they become due or file a petition or seek relief under or take advantage of any insolvency law; make an assignment for the benefit of creditors; commence a proceeding for the appointment of a receiver, trustee, liquidator, custodian or conservator of Borrower or any Guarantor or of the whole or substantially all of Borrower's or any Guarantor's property or of any collateral pledged as security for this Note; or if Borrower or any Guarantor shall file a petition or an answer to a petition under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or file a petition or seek relief under or take advantage of any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof; or

(v) A Court of competent jurisdiction shall enter an order, judgment or decree appointing or authorizing a receiver, trustee, liquidator, custodian or conservator of Borrower or any Guarantor or of the whole or substantially all of Borrower's or any Guarantor's property, or any portion of the collateral pledged as security for this Note, or enter an order for relief against Borrower or any Guarantor in any case commenced under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or grant relief under any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof and the same is not stayed or discharged within sixty (60) days of entry; or

(vi) Under the provisions of any law for the relief or aid of debtors, a court of competent jurisdiction or a receiver, trustee, liquidator, custodian or conservator shall assume custody or control or take possession from Borrower or any Guarantor of all or substantially all of Borrower's or any Guarantor's property or any portion of any collateral pledged as security for this Note; or

(vii) There is commenced against Borrower or any Guarantor any proceeding for any of the foregoing relief or if a petition is filed against Borrower or any Guarantor under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or under any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof, and such proceeding or petition remains undismissed for a period of sixty (60) days or if Borrower or any Guarantor by any act indicates consent to, approval of or acquiescence in any such proceeding or petition; or

(viii) Key Bank receives a notice to creditors with regard to a bulk transfer by Borrower or any Guarantor pursuant to Article VI of the Uniform Commercial Code or if the Borrower shall dissolve, terminate its existence, fail, cease normal business operation or otherwise discontinue its existence; or

(ix) Borrower or any Guarantor fails to comply with any of the provisions set forth in the commitment letter from Key Bank dated April __, 1994, it being understood that the terms of said commitment letter are hereby incorporated in this Note and, to the extent that any of the terms of the commitment letter are in conflict with the terms of this Note, the terms of this Note shall prevail; or

(x) An "Event of Default", as said term is defined in any other Loan Documents, shall have occurred; or

(xi) Borrower or any Guarantor fails to comply with the terms of or an "event of default" occurs under any other loan transaction or credit arrangement of any kind with Key Bank;

then, and in any such event (an "Event of Default"), Key Bank may, at its option, refuse to make any further advances of Loan proceeds and declare the entire unpaid balance of this Note together with interest accrued thereon and any other sums due hereunder or under the Loan Documents, to be immediately due and payable and Key Bank may proceed to exercise any rights or remedies that it may have under this Note or any other Loan Documents, or such other rights and remedies which Key Bank may have at law, equity or otherwise. In the event of such acceleration, Borrower may discharge its obligations to Key Bank by paying:

(1) the unpaid principal balance hereof as at the date of such payment, plus

(2) accrued interest computed in the manner set forth above, plus

(3) any Late Payment Charge and Prepayment Penalty computed in the manner set forth above, plus

(4) any other sum due and owing Key Bank under this Note or any other Loan Document.

(f) COSTS AND EXPENSES ON DEFAULT. After the occurrence of an Event of Default, in addition to principal, interest, any Late Payment Charge and any Prepayment Penalty, Key Bank shall be entitled to collect all costs of collection, including, but not limited to, reasonable attorneys' fees, incurred in connection with the protection or realization of collateral or in connection with any of Key Bank's collection efforts, whether or not suit on this Note or any foreclosure proceeding is filed, and all such costs and expenses shall be payable on demand and until paid shall also be secured by the Loan Documents and by all other collateral held by Key Bank as security for Borrower's obligations to Key Bank.

(g) NO WAIVER BY KEY BANK. No failure by any Guarantor of the Loan to make any payments shall be deemed a waiver or release of Borrower's obligations hereunder. No failure on the part of Key Bank or other holder hereof to exercise any right or remedy hereunder, whether before or after the happening of a default, shall constitute a waiver thereof, and no waiver of any past default shall constitute waiver of any future default or of any other default. No failure to accelerate the Loan evidenced hereby by reason of default hereunder, or acceptance of a past due installment, or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or as a reinstatement of the Loan evidenced hereby or as a waiver of such

right of acceleration or any other right, or be construed so as to preclude the exercise of any right which Key Bank may have, whether by the laws of the state governing this Note, by agreement or otherwise; and Borrower and each endorser or Guarantor hereby expressly waive the benefit of any statute or rule of law or equity which would produce a result contrary to or in conflict with the foregoing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom such agreement is sought to be enforced.

(h) FINANCIAL INFORMATION. Borrower will advise Lender in writing if Borrower operates on other than a calendar year basis. Borrower will at all times keep proper books of record and account in which full, true and correct entries shall be made in accordance with generally accepted accounting principles and will deliver to Key Bank, within one hundred twenty (120) days after the end of each fiscal year of Borrower, a copy of the annual financial statements of Borrower relating to such fiscal year, such statements to include (i) the balance sheet of Borrower as at the end of such fiscal year and (ii) the related income statement, statement of retained earnings and statement of changes in the financial position of Borrower for such fiscal year (collectively, the "Financial Statements"), prepared by such certified public accountants as may be reasonably satisfactory to Key Bank. Borrower also agrees to deliver to Key Bank within fifteen (15) days after filing same, a copy of Borrower's income tax return and also, from time to time, such other financial information with respect to Borrower as Key Bank may request.

In addition, Borrower will provide Lender with a monthly listing of the balances due and payment status of the Member Notes and will also provide drafts of the Financial Statements on a quarterly basis within thirty (30) days of the close of each calendar (or fiscal) quarter.

Borrower shall pay Key Bank a default charge equal to \$1,000.00 for each month or part thereof during which Borrower has failed to provide any of the financial statements required pursuant to this subsection provided that the penalty provision shall not be operative until Key Bank has given Borrower sixty (60) days notice of Borrower's failure to comply. Any amounts due hereunder shall be payable on demand and Key Bank's rights under this subsection shall be in addition to any other rights it may have based upon Borrower's failure to perform, including without limitation, the right to accelerate Borrower's obligation to repay the Loan as provided herein.

(i) WAIVER BY BORROWER. Borrower and each endorser or Guarantor of this Note hereby waives presentment, protest, demand, diligence, notice of dishonor and of nonpayment, and waives and renounces all rights to the benefits of any statute of limitations

and any moratorium, appraisement, exemption and homestead now provided or which may hereafter be provided by any federal or state statute, including but not limited to exemptions provided by or allowed under the Bankruptcy Code of 1978, both as to itself personally and as to all of its or their property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

(j) COMPLIANCE WITH USURY LAWS. It is the intention of the parties to conform strictly to the usury laws, whether state or federal, that are applicable to this Note. All agreements between Borrower and Key Bank, whether now existing or hereafter arising and whether oral or written, are hereby expressly limited so that in no contingency or event whatsoever, whether by acceleration of maturity hereof or otherwise, shall the amount paid or agreed to be paid to Key Bank or the holder hereof, or collected by Key Bank or such holder, for the use, forbearance or detention of the money to be loaned hereunder or otherwise, or for the payment or performance of any covenant or obligation contained herein, or in any of the Loan Documents, exceed the maximum amount permissible under applicable federal or state usury laws. If under any circumstances whatsoever fulfillment of any provision hereof or of the Loan Documents, at the time performance of such provision shall be due, shall involve exceeding the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity; and if under any circumstances Key Bank or other holder hereof shall ever receive an amount deemed interest by applicable law, which would exceed the highest lawful rate, such amount that would be excessive interest under applicable usury laws shall be applied to the reduction of the principal amount owing hereunder or to other indebtedness secured by the Loan Documents and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal and such other indebtedness, the excess shall be deemed to have been a payment made by mistake and shall be refunded to Borrower or to any other person making such payment on Borrower's behalf. All sums paid or agreed to be paid to the holder hereof for the use, forbearance or detention of the indebtedness of Borrower evidenced hereby, outstanding from time to time shall, to the extent permitted by applicable law, and to the extent necessary to preclude exceeding the limit of validity prescribed by law, be amortized, pro-rated, allocated and spread from the date of disbursement of the proceeds of this Note until payment in full of the Loan evidenced hereby and thereby so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof and thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between Borrower, any endorser or Guarantor and Key Bank.

(k) GOVERNING LAW; SUBMISSION TO JURISDICTION. This Note shall be governed by and construed under the laws of the State of

New York. Borrower and each endorser or Guarantor hereby submits to personal jurisdiction in said state for the enforcement of Borrower's obligations hereunder or under any other Loan Document and waives any and all personal rights under the law of any other state to object to jurisdiction within such state for the purposes of litigation to enforce such obligations of Borrower.

(l) WAIVER OF JURY TRIAL. Key Bank and the Borrower hereby waive trial by jury in any litigation in any court with respect to, in connection with, or arising out of this Note, any other Loan Document or the Loan, or any instrument or document delivered in connection with the Loan, or the validity, protection, interpretation, collection or enforcement thereof, or any other claim or dispute howsoever arising between the Borrower and Key Bank.

(m) AUTHORITY OF KEY BANK. Borrower authorizes Key Bank to date this Note as of the day when the Loan is made.

(n) NOTICES. Any notices required or permitted to be given hereunder shall be: (i) personally delivered or (ii) given by registered or certified mail, postage prepaid, return receipt requested, or (iii) forwarded by overnight courier service, in each instance addressed to the addresses set forth at the head of this Note, or such other addresses as the parties may for themselves designate in writing as provided herein for the purpose of receiving notices hereunder. All notices shall be in writing and shall be deemed given, in the case of notice by personal delivery, upon actual delivery, and in the case of appropriate mail or courier service, upon deposit with the U.S. Postal Service or delivery to the courier service.

(o) LIABILITY IF MORE THAN ONE BORROWER. If more than one person or entity executes this Note as a Borrower, all of said persons or entities are jointly and severally liable hereunder.

(p) ENTIRE AGREEMENT. This Note and the other Loan Documents constitute the entire understanding between Borrower, the Guarantors, if any, and Key Bank and to the extent that any writings not signed by Key Bank or oral statements or conversations at any time made or had shall be inconsistent with the provisions of this Note and the other Loan Documents, the same shall be null and void.

IN WITNESS WHEREOF, Borrower has executed this instrument the date first above written.

HARRIS BAY YACHT CLUB, INC.

By 

Name: David G. Kling
Title: President

STATE OF NEW YORK)
) ss.:
COUNTY OF *Albany*)

On this *29th* day of April, 1994, before me the subscriber personally appeared David G. Kling, who being by me duly sworn, did depose and say; that he resides in the Town of Guilderland, Albany County, New York; that he is President of Harris Bay Yacht Club, Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.



NOTARY PUBLIC

BRIAN J. O'DONNELL
Notary Public, State of New York
Qualified in Albany County
No. 4624005
Commission Expires Oct. 31, 1994

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MORTGAGE CONSOLIDATION, EXTENSION
AND MODIFICATION AGREEMENT

AGREEMENT, made this 29th day of April, 1994, by and between KEY BANK OF NEW YORK, a New York State banking corporation with an office for the transaction of business at 66 South Pearl Street, Albany, New York 12207 (the "Mortgagee"), and HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation with an office for the transaction of business on Route 9L, Cleverdale, New York (mailing address: P.O. Box 139, Cleverdale, New York 12820) (the "Mortgagor").

W I T N E S S E T H:

WHEREAS, the Mortgagee is now the lawful owner and holder of the mortgages listed on Schedule "A" annexed hereto (the "Mortgage" or "Mortgages") and the bond(s), note(s) or other evidence(s) of indebtedness secured thereby (the "Note" or "Notes"), which Mortgages encumber the Premises (as hereinafter defined);

WHEREAS, the Mortgagor is the owner of fee title in and to all of the premises described in Schedule "B" annexed hereto (the "Premises");

WHEREAS, the Mortgages are valid liens upon the Premises;

WHEREAS, the Mortgagee and the Mortgagor have agreed to consolidate the Notes, the Mortgages and the liens of the Mortgages and to modify the terms thereof in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the sum of Ten (\$10.00) Dollars each to the other in hand paid and of the mutual agreements hereinafter set forth, the parties hereto agree as follows:

1. The Mortgagor covenants, represents and warrants that there is, as of the date hereof, secured by the Mortgages and evidenced by the Notes, the aggregate unpaid principal sum of One Million Eight Hundred Thousand and no/100ths (\$1,800,000.00) U.S. Dollars together with interest thereon from the date hereof, and other sums or charges evidenced thereby (collectively the "Indebtedness") and the Mortgagor assumes all of the obligations of the obligor and mortgagor under the Notes and Mortgages.

2. The liens of the Mortgages are hereby consolidated and coordinated so that together they shall hereafter constitute in law but one mortgage, a valid first lien upon the entire Premises securing the Indebtedness (the Mortgages as hereby consolidated and modified are hereinafter sometimes collectively referred to as the "Consolidated Mortgage").

3. The Mortgages are hereby modified so that it shall hereafter secure the Indebtedness, and the Mortgagor shall pay the

Indebtedness in accordance with the terms of the Consolidated Promissory Note executed by Mortgagor on even date herewith (the "Consolidated Note"). Any interest rate and other payment terms in respect of the Mortgages or the Notes, to the extent the same are modified by the provisions set forth in the Consolidated Note, are hereby cancelled and are replaced by the interest rate and other payment terms set forth in the Consolidated Note and the Mortgagor shall pay the Indebtedness in accordance with the terms and conditions set forth in the Consolidated Note.

4. All of the covenants in the Notes and the Mortgages, except any covenants specifically modified by this Agreement, shall remain in full force and effect, and where there is a conflict between any of the Notes or Mortgages and this Agreement, the terms of this Agreement shall prevail. Should there be a conflict among the terms of (i) the Notes and the terms of the Consolidated Note; or (ii) any of the Mortgages and the Key Bank Mortgage (as that term is defined in Schedule "A"), the terms of the Consolidated Note and the Key Bank Mortgage shall prevail.

5. This Indebtedness at the option of Mortgagee shall become immediately due and payable without presentment, demand or notice, all of which are hereby waived, upon the occurrence of an Event or Events of Default under the Consolidated Note, the Key Bank Mortgage or any of the Notes or Mortgages or Loan Documents as that term is defined in the Consolidated Note.

If an Event of Default has occurred, Mortgagee may exercise any right, power or remedy permitted to Mortgagee, and shall have, without limiting the generality of the foregoing, the right to declare the entire principal, and all interest accrued on the Indebtedness then outstanding to be fully due and payable.

6. The Mortgagor hereby (i) ratifies and confirms the lien, conveyance and grant contained in and created by the Mortgages (including the Key Bank Mortgage), (ii) agrees that nothing contained in this Agreement is intended to or shall impair the lien, conveyance and grant of the Mortgages (including the Key Bank Mortgage), (iii) covenants that there are no off-sets or defenses to the Consolidated Note, the Notes, the Mortgages (including the Key Bank Mortgage) and, the Indebtedness, and that there is presently due thereon the sum of One Million Eight Hundred Thousand and no/100ths (\$1,800,000.00) U.S. Dollars with interest thereon from the date of this Agreement, (iv) waives any claim that it might have or defense that it could raise which in any way could be an offset to the indebtedness, including, inter alia, a defense based upon the fact that any or all of the Notes or Mortgages are not in the possession of the Mortgagee, it being understood that the assignment of the Notes and Mortgages is being done at the request of and for the Mortgagor and it being further understood that the Mortgagor will execute, acknowledge and deliver such further or replacement documents as Mortgagee may reasonably deem

necessary to effect the transaction contemplated herein, and (v) consents to and waives the effect, if any, on the liability of Mortgagor under the Notes, the Consolidated Note, the Mortgages or this Agreement, of the release or other discharge of any other party or parties to the Notes or Mortgages.

STATE OF NEW YORK)
COUNTY OF *Albany*) ss.:

On this *29th* day of April, 1994, before me the subscriber personally appeared David G. Kling, who being by me duly sworn, did depose and say; that he resides in the Town of Guilderland, Albany County, New York; that he is President of Harris Bay Yacht Club, Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

Brian J. O'Donnell

NOTARY PUBLIC

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BRIAN J. O'DONNELL
Notary Public, State of New York
Qualified in Albany County
No. 4624005
Commission Expires Oct. 31, 19 *94*

SCHEDULE "A"

MORTGAGES

1. HARRIS BAY YACHT CLUB, INC.

MORTGAGE

to

DATED: July 2, 1984
REC'D: July 3, 1984
LIBER: 429 PAGE: 578
AMOUNT: \$4,000,000.00

YARDARM DEVELOPMENT ASSOCIATES

As assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK, A. ROBERT STEWART, ARTHUR W. GOTTS and HARRIS BAY DEVELOPMENT CORP. by Assignment of Mortgage dated July 2, 1984, recorded July 3, 1984 in Liber 429, page 619.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK by Assignment of Mortgage dated August 22, 1985, recorded December 5, 1985 in Liber 447, page 282.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK by Assignment of Mortgage dated January 13, 1986, recorded February 11, 1986 in 449, page 812.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to CHEMICAL BANK by Assignment of Mortgage dated April 30, 1986, recorded May 1, 1986 in Liber 452, page 417.

As further assigned by CHEMICAL BANK to KEY BANK, N.A. by Assignment of Mortgage dated March 31, 1987, recorded April 1, 1987 in Liber 471, page 631.

As further assigned by A. ROBERT STEWART to KEY BANK, N.A. by Assignment of Mortgage dated March 21, 1987, recorded April 1, 1987 in Liber 471, page 633.

As further assigned by ARTHUR W. GOTTS to KEY BANK, N.A. by Assignment of Mortgage dated March 23, 1987, recorded April 1, 1987 in Liber 471, page 636.

As further assigned by YARDARM DEVELOPMENT ASSOCIATES to KEY BANK, N.A. by Assignment of Mortgage dated March 31, 1987, recorded April 1, 1987 in Liber 471, page 638.

2. HARRIS BAY YACHT CLUB. INC.

MORTGAGE

to
KEY BANK, N.A.

DATED: March 31, 1987
REC'D: April 1, 1987
LIBER: 471 PAGE: 641
AMOUNT: \$63,974.38

Mortgage in Items 1 and 2 above were consolidated by Consolidation, Extension and Modification Agreement dated March 31, 1987, recorded April 1, 1987 in Liber 471, page 658, to form a single lien of \$2,750,000.00.

3. HARRIS BAY YACHT, CLUB

MORTGAGE

to
KEY BANK N.A.

DATED: August 15, 1989
REC'D: August 17, 1989
Liber: 594 Page: 59
AMOUNT: \$83,992.04

Mortgages in Items 1, 2 and 3 were consolidated by Mortgage Consolidation, Extension and Modification Agreement dated August 15, 1989, recorded August 17, 1989 in Liber 594, page 74 to form a single lien of \$1,900,000.00.

4. Mortgage from Harris Bay Yacht Club, Inc. to Key Bank of New York in the amount of \$129,815.44 dated on even date and to be recorded in the Warren County Clerk's Office on even date but prior to the recording of this Agreement.

DEMAND NOTE

\$129,815.44

Albany, New York
April 29, 1994

FOR VALUE RECEIVED, and in accordance with the terms and conditions of this Note, HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation with an office for the transaction of business on Route 9L, Cleverdale, New York (mailing address: P.O. Box 139, Cleverdale, New York 12820) (the "Borrower") promises to pay to the order of KEY BANK OF NEW YORK, a New York State banking corporation with an office for the transaction of business located at 66 South Pearl Street, Albany, New York 12207 ("Key Bank") the principal sum of One Hundred Twenty Nine Thousand Eight Hundred Fifteen and 44/100ths (\$129,815.55) Dollars or so much thereof as may be advanced from time to time hereunder, with interest on the unpaid principal balance of such amount from the date of this Note or such advance, as the case may be, in accordance with the terms of a Consolidated Promissory Note delivered by Borrower to Key Bank on even date herewith, it being understood and agreed that the indebtedness evidenced by this Note is included in the indebtedness evidenced by the Consolidated Promissory Note and that the terms of repayment of the indebtedness are governed by provisions of the Consolidated Promissory Note.

All of the provisions of the Consolidated Promissory Note are hereby incorporated herein by reference and Borrower acknowledges that the terms of the Consolidated Promissory Note are the terms and conditions of this Note.



Fidelity National Title

INSURANCE COMPANY OF NEW YORK

Title No. 4301-0005925

SCHEDULE B

AS that certain plot, pieces or parcels of land with the buildings and improvements thereon erected, (hereinafter referred to collectively as the "Property"), situate, lying and being in the Town of Oucensbury, County of Warren and State of New York, being part of lots 34 and 38 of the French Mountain Tract bounded and described as follows:

PARCEL 1

BEGINNING at an iron pipe set in the northerly line of New York State Route 9L in the division line between Lot 38 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses said Route 9L at a distance of 740 feet, more or less, westerly, measured along said Route 9L from the center line of the Cleverdale Road, running thence from the place of beginning, the following four courses and distances along the northerly bounds of New York State Route 9L, viz.: South 65 degrees 21 minutes 20 seconds West, 59.18 feet; South 71 degrees 55 minutes 20 seconds West, 554.74 feet; South 72 degrees 14 minutes 30 seconds West, 399.42 feet and South 75 degrees 19 minutes 40 seconds West, 314.37 feet; thence North 39 degrees 53 minutes 50 seconds West, and along the easterly line of lands of Robert A. Stewart, for a distance of 443.49 feet to the southerly shore of Lake George; thence in an easterly direction along said shore line, as it winds and turns, for a distance of 1920 feet, more or less; thence South 31 degrees 04 minutes 30 seconds East, and along the aforementioned division line between Lots 38 and 43 of the French Mountain Tract and along the westerly line of lands now or formerly of Ernest Kirchoff, for a distance of 438 feet, more or less; to the place of beginning,

PARCEL 2

BEGINNING at an iron pipe set in the southeasterly line of New York State Route 9L where said line is intersected by the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south, running thence from the place of beginning, North 43 degrees 40 minutes 30 seconds East, along the southeasterly bounds of New York State Route 9L, for a distance of 73.99 feet; thence North 83 degrees 28 minutes East, and along the southerly line of lands now or formerly of Hall and New York Telephone Company, for a distance of 137.79 feet; thence North 6 degrees 40 minutes 30 seconds West, and along the easterly line of said lands now or formerly of New York Telephone Company, for a distance of 76.57 feet to the southerly line of New York State Route 9L; thence the following eight courses and distances along the southerly line of New York State Route 9L, viz.: North 56 degrees 59 minutes 30 seconds East, 95.50 feet; North 62 degrees 55 minutes East, 187.78 feet; North 67 degrees 29 minutes 30 seconds East, 193.50 feet; North 72 degrees 22 minutes 20 seconds East, 192.32 feet; North 77 degrees 21 minutes 20 seconds East, 204.21 feet; North 82 degrees 08 minutes East, 197.37 feet; North 86 degrees 10 minutes 20 seconds East, 741.74 feet and North 74 degrees 02 minutes 40 seconds East, 292.10 feet to an iron pipe; thence South 5 degrees 11 minutes 20 seconds West, and along the westerly line of lands of the State of New York, for a distance of 830.87 feet to an iron pipe set in the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south; thence North 83 degrees 54 minutes 30 seconds West, along said division line and along the northerly line of Harry Pulver, now owned by the State of New York, for a distance of 588.79 feet to an iron pipe set in stones at the north-westerly corner of said lands formerly of Pulver; thence North 84 degrees 21 minutes 10 seconds West, along the division line between Lots 33 and 34 of the French Mountain Tract and along the northerly line of lands now or formerly of Harry Hoyes, for a distance of 1555.53 feet to the place of beginning, more or less.

PARCEL 3

BEGINNING at an iron pipe set in the southerly line of New York State Route 9L and in the division line between Lot 38 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses New York State Route 9L at a distance of 740 feet, westerly, measured along said Route 9L from the center of the Cleverdale Road, running thence from the place of beginning, South 31 degrees 04 minutes 30 seconds East, along said division line, for a distance of 936.49 feet to an iron pipe; thence the following six courses

and distances along lands owned by the State of New York, viz. South 88 degrees 10 minutes 30 seconds West, 714.92 feet; North 18 degrees 41 minutes West, 212.06 feet; North 11 degrees 45 minutes West, 119.32 feet; North 12 degrees 59 minutes 50 seconds West, 259.09 feet; North 77 degrees 08 minutes 40 seconds West, 211.8 feet and North 33 degrees 04 minutes West, 10.04 feet to a point in the southerly line of New York State Route 9L; thence North 7 degrees 55 minutes 20 seconds East, along said southerly line, for a distance of 547.24 feet to an angle point therein; thence North 68 degrees 12 minutes 20 seconds East for a distance of 79.17 feet to the place of beginning.

INSU 10

LINE-OF-CREDIT NOTE

\$50,000.00

Albany, New York
Dated: April 29, 1994

FOR VALUE RECEIVED, HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation with an office for the transaction of business on Route 9L, Cleverdale, New York (mailing address: P.O. Box 139, Cleverdale, New York 12820) (the "Borrower") promises to pay to the order of KEY BANK OF NEW YORK, a New York State banking corporation with its principal office and place of business at 66 South Pearl Street, Albany, New York, 12207 ("Key Bank") the principal sum of FIFTY THOUSAND and no/100ths (\$50,000.00) DOLLARS or so much thereof as may be advanced from time to time as pursuant to the terms of this Note with interest on the unpaid principal balance of such amounts as are advanced or readvanced, as the case may be, at the Interest Rate (hereinafter defined). This Note evidences a loan (the "Loan") made available to Borrower as part of a credit facility. This Note is secured by (a) a first lien security interest in certain personal property (the "Personal Property") created through a security agreement dated on even date herewith from Borrower to Key Bank (the "Security Agreement") and financing statements executed in conjunction therewith (the "Financing Statements"), (b) the pledge by the Borrower that it will not dispose of or mortgage any assets without the consent of Key Bank as set forth in a Negative Pledge Agreement (the Negative Pledge") dated on even date herewith and (c) such other security as may now or hereafter be given to Key Bank by Borrower as collateral for the Loan (the Security Agreement, the Financing Statements, the Negative Pledge, this Note and such other documents evidencing such other security which may hereafter be given as further security for, or in connection with, the Loan, being hereinafter collectively referred to as the "Loan Documents").

I

DEFINITIONS

(a) "BASE RATE" shall mean the rate of interest set, determined or announced on a periodic basis by Key Bank of New York as its "Base Rate" which rate of interest is not necessarily the lowest rate charged by Key Bank of New York on loans and other credits which may be extended by Key Bank of New York at rates both above and below the Base Rate.

(b) "DEFAULT INTEREST RATE" shall mean the Interest Rate (hereinbelow defined) plus four (4%) percent per annum.

(c) "INTEREST RATE" shall mean the rate of interest to be paid by Borrower on any outstanding principal due under this Note and shall be equal to the Base Rate plus one-half (.50%) percent per annum.

(d) "MATURITY DATE" shall mean May 31, 1994.

II

ADVANCES AND READVANCES OF LOAN PROCEEDS

(a) ADVANCES AND READVANCES. Provided that no Event of Default (pursuant to Article IV, subsection (e) hereof or no event which but for the passage of time, the giving of notice, or both would constitute an Event of Default, has occurred, advances or readvances of proceeds of the Loan (each, an "Advance," if more than one, the "Advances") shall be made available to the Borrower from time to time in the manner set forth in this Article and information with regard to any Advances shall be recorded and maintained by Key Bank in its internal records and such records shall be conclusive as to the information set forth therein ten (10) days after mailing of the notice provided for in subsection (b) below, absent manifest error.

(b) PROCEDURE FOR ADVANCES. Borrower may obtain an Advance by telephone or written request from any of the individuals listed on the annexed Schedule Of Authorized Officers. Any Advance request shall be supported by such certifications, invoices and documentation as Key Bank may require and shall be deposited by Key Bank in account number 086000971 which is titled Harris Bay Yacht Club, Inc. (the "Advance Account") and the deposit of any Advance in the Advance Account by Key Bank shall be conclusive as to the receipt of said Advance by Borrower and Borrower will be responsible for repaying any Advance so made pursuant to the terms of this Note.

(c) ADVANCES BY KEY BANK. Key Bank may make Advances pursuant to the terms hereof, for the purpose of paying any sums which have become due and payable hereunder or under any other Loan Document.

III

PAYMENT OF PRINCIPAL AND INTEREST

(a) PERIODIC PAYMENTS OF INTEREST. Borrower shall pay accrued interest at the Interest Rate on the unpaid principal balance of this Note on the first (1st) day of the first (1st) month after the first Advance of Loan Proceeds and on the first (1st) day of each month thereafter until the Loan becomes due and payable as set forth below, when Borrower shall pay the full balance of principal, plus any accrued and unpaid interest and any other sums due under this Note. Key Bank shall have the right to debit any account of the Borrower with Key Bank for accrued and

unpaid interest which has become due and payable under the terms hereof.

(b) PERIODIC PAYMENTS OF PRINCIPAL. Key Bank shall credit principal payments against the Loan in amounts equal to sums paid to Key Bank or deposited in the Cash Collateral Account (as that term is defined in the Loan Agreement) to the extent that said sums are not otherwise applied by Key Bank as permitted hereunder.

(c) MATURITY OF OBLIGATIONS. On the Maturity Date, all sums of principal remaining unpaid plus accrued and unpaid interest shall be paid in full.

(d) CLEAN-UP. Borrower agrees that for a period of thirty (30) days during the term of the Loan, Borrower will have reduced the outstanding balance on the Loan to zero and will not request any further Advances of Loan proceeds.

IV

GENERAL CONDITIONS

A. METHOD OF PAYMENT. All payments under this Note are payable at 66 South Pearl Street, Albany, New York 12207, or at such other place as Key Bank shall notify Borrower in writing. Key Bank reserves the right to require any payment on this Note, whether such payment is of a regular installment or represents a prepayment, to be by wired federal funds or other immediately available funds or to be paid at a place other than the above address.

B. APPLICATION OF PAYMENTS RECEIVED. Except as may otherwise be provided in this Note, all payments received by Key Bank on this Note shall be applied by Key Bank to any unpaid Late Payment Charges (hereinbelow defined), accrued and unpaid interest then due and owing and the reduction of principal of this Note, in such order and in such amounts as Key Bank may determine from time to time.

C. LATE PAYMENT CHARGES. If Borrower fails to pay any amount of principal and/or interest on this Note for ten (10) days after such payment becomes due, whether by acceleration or otherwise, Key Bank may, at its option, whether immediately or at the time of final payment of the amounts evidenced by this Note, impose a late payment charge (the "Late Payment Charge") computed by multiplying the amount of each past due payment by four (4%) percent. Until any and all Late Payment Charges are paid in full, the amount thereof shall be added to the indebtedness secured by any of the Loan Documents. The Late Payment Charge is not a penalty and is deemed to be liquidated damages for the purpose of compensating Key Bank for the difficulty in computing the actual

amount of damages incurred by Key Bank as a result of the late payment by Borrower.

D. REFUSAL TO MAKE FURTHER ADVANCES, ACCELERATION AND DEFAULT. If:

(1) Borrower fails to pay any sum due on this Note within ten (10) days of the date the same is due; or

(2) Borrower shall fail to perform any other covenant, obligation or agreement required to be performed by Borrower under this Note, for fifteen (15) days; or

(3) Any warranty or representation made or given by Borrower or any financial or other statement submitted by or on behalf of Borrower, or any Guarantor in any instrument furnished in compliance with or in reference to this Note or the Loan Documents be false or misleading in any material respect; or

(4) Borrower or any Guarantor shall generally not be paying debts as they become due or file a petition or seek relief under or take advantage of any insolvency law; make an assignment for the benefit of creditors; commence a proceeding for the appointment of a receiver, trustee, liquidator, custodian or conservator of Borrower or any Guarantor or of the whole or substantially all of Borrower's or any Guarantor's property or of any collateral pledged as security for this Note; or if Borrower or any Guarantor shall file a petition or an answer to a petition under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or file a petition or seek relief under or take advantage of any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof; or

(5) A Court of competent jurisdiction shall enter an order, judgment or decree appointing or authorizing a receiver, trustee, liquidator, custodian or conservator of Borrower or any Guarantor or of the whole or substantially all of Borrower's or any Guarantor's property, or any portion of the collateral pledged as security for this Note, or enter an order for relief against Borrower or any Guarantor in any case commenced under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or grant relief under any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof and the same is not stayed or discharged within sixty (60) days of entry; or

(6) Under the provisions of any law for the relief or aid of debtors, a court of competent jurisdiction or a

receiver, trustee, liquidator, custodian or conservator shall assume custody or control or take possession from Borrower or any Guarantor of all or substantially all of Borrower's or any Guarantor's property or any portion of any collateral pledged as security for this Note; or

(7) There is commenced against Borrower or any Guarantor any proceeding for any of the foregoing relief or if a petition is filed against Borrower or any Guarantor under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or under any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof, and such proceeding or petition remains undismissed for a period of sixty (60) days or if Borrower or any Guarantor by any act indicates consent to, approval of or acquiescence in any such proceeding or petition; or

(8) Key Bank receives a notice to creditors with regard to a bulk transfer by Borrower or any Guarantor pursuant to Article VI of the Uniform Commercial Code or if the Borrower shall dissolve, terminate its existence, fail, cease normal business operation or otherwise discontinue its existence; or

(9) Borrower or any Guarantor fails to comply with any of the provisions set forth in the commitment letter from Key Bank dated April __, 1994, it being understood that the terms of said commitment letter are hereby incorporated in this Note and, to the extent that any of the terms of the commitment letter are in conflict with the terms of this Note, the terms of this Note shall prevail; or

(10) An "Event of Default", as said term is defined in any other Loan Documents, shall have occurred; or

(11) Borrower or any Guarantor fails to comply with the terms of or an "event of default" occurs under any other loan transaction or credit arrangement of any kind with Key Bank;

then, and in any such event (an "Event of Default"), Key Bank may, at its option, refuse to make any further advances of Loan proceeds and declare the entire unpaid balance of this Note together with interest accrued thereon and any other sums due hereunder or under the Loan Documents, to be immediately due and payable and Key Bank may proceed to exercise any rights or remedies that it may have under this Note or any other Loan Documents, or such other rights and remedies which Key Bank may have at law, equity or otherwise. In the event of such acceleration, Borrower may discharge its obligations to Key Bank by paying:

(a) the unpaid principal balance hereof as at the date of such payment, plus

(b) accrued interest computed in the manner set forth above, plus

(c) any Late Payment Charge computed in the manner set forth above, plus

(d) any other sum due and owing Key Bank under this Note or any other Loan Document.

E. COSTS AND EXPENSES ON DEFAULT. After the occurrence of an Event of Default, in addition to principal, interest and any Late Payment Charge, Key Bank shall be entitled to collect all costs of collection, including, but not limited to, reasonable attorneys' fees, incurred in connection with the protection or realization of collateral or in connection with any of Key Bank's collection efforts, whether or not suit on this Note or any foreclosure proceeding is filed, and all such costs and expenses shall be payable on demand and until paid shall also be secured by the Loan Documents and by all other collateral held by Key Bank as security for Borrower's obligations to Key Bank.

F. NO WAIVER BY KEY BANK. No failure by any Guarantor of the Loan to make any payments shall be deemed a waiver or release of Borrower's obligations hereunder. No failure on the part of Key Bank or other holder hereof to exercise any right or remedy hereunder, whether before or after the happening of a default, shall constitute a waiver thereof, and no waiver of any past default shall constitute waiver of any future default or of any other default. No failure to accelerate the Loan evidenced hereby by reason of default hereunder, or acceptance of a past due installment, or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or as a reinstatement of the Loan evidenced hereby or as a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right which Key Bank may have, whether by the laws of the state governing this Note, by agreement or otherwise; and Borrower and each endorser or Guarantor hereby expressly waive the benefit of any statute or rule of law or equity which would produce a result contrary to or in conflict with the foregoing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom such agreement is sought to be enforced.

G. FINANCIAL INFORMATION. Borrower will advise Lender in writing if Borrower operates on other than a calendar year basis. Borrower will at all times keep proper books of record and account in which full, true and correct entries shall be made in accordance with generally accepted accounting principles and will deliver to Key Bank, within one hundred twenty (120) days after the end of each fiscal year of Borrower, a copy of the annual financial statements of Borrower relating to such fiscal year, such

statements to include (i) the balance sheet of Borrower as at the end of such fiscal year and (ii) the related income statement, statement of retained earnings and statement of changes in the financial position of Borrower for such fiscal year, prepared by such certified public accountants as may be reasonably satisfactory to Key Bank. Borrower also agrees to deliver to Key Bank within fifteen (15) days after filing same, a copy of Borrower's income tax return and also, from time to time, such other financial information with respect to Borrower as Key Bank may request.

Borrower shall pay Key Bank a default charge equal to \$1,000.00 for each month or part thereof during which Borrower has failed to provide any of the financial statements required pursuant to this subsection provided that the penalty provision shall not be operative until Key Bank has given Borrower sixty (60) days notice of Borrower's failure to comply. Any amounts due hereunder shall be payable on demand and Key Bank's rights under this subsection shall be in addition to any other rights it may have based upon Borrower's failure to perform, including without limitation, the right to accelerate Borrower's obligation to repay the Loan as provided herein.

H. WAIVER BY BORROWER. Borrower and each endorser or Guarantor of this Note hereby waives presentment, protest, demand, diligence, notice of dishonor and of nonpayment, and waives and renounces all rights to the benefits of any statute of limitations and any moratorium, appraisement, exemption and homestead now provided or which may hereafter be provided by any federal or state statute, including but not limited to exemptions provided by or allowed under the Bankruptcy Code of 1978, both as to itself personally and as to all of its or their property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

I. COMPLIANCE WITH USURY LAWS. It is the intention of the parties to conform strictly to the usury laws, whether state or federal, that are applicable to this Note. All agreements between Borrower and Key Bank, whether now existing or hereafter arising and whether oral or written, are hereby expressly limited so that in no contingency or event whatsoever, whether by acceleration of maturity hereof or otherwise, shall the amount paid or agreed to be paid to Key Bank or the holder hereof, or collected by Key Bank or such holder, for the use, forbearance or detention of the money to be loaned hereunder or otherwise, or for the payment or performance of any covenant or obligation contained herein, or in any of the Loan Documents, exceed the maximum amount permissible under applicable federal or state usury laws. If under any circumstances whatsoever fulfillment of any provision hereof or of the Loan Documents, at the time performance of such provision shall be due, shall involve exceeding the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit

of such validity; and if under any circumstances Key Bank or other holder hereof shall ever receive an amount deemed interest by applicable law, which would exceed the highest lawful rate, such amount that would be excessive interest under applicable usury laws shall be applied to the reduction of the principal amount owing hereunder or to other indebtedness secured by the Loan Documents and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal and such other indebtedness, the excess shall be deemed to have been a payment made by mistake and shall be refunded to Borrower or to any other person making such payment on Borrower's behalf. All sums paid or agreed to be paid to the holder hereof for the use, forbearance or detention of the indebtedness of Borrower evidenced hereby, outstanding from time to time shall, to the extent permitted by applicable law, and to the extent necessary to preclude exceeding the limit of validity prescribed by law, be amortized, pro-rated, allocated and spread from the date of disbursement of the proceeds of this Note until payment in full of the Loan evidenced hereby and thereby so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof and thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between Borrower, any endorser or Guarantor and Key Bank.

J. GOVERNING LAW; SUBMISSION TO JURISDICTION. This Note shall be governed by and construed under the laws of the State of New York. Borrower and each endorser or Guarantor hereby submits to personal jurisdiction in said state for the enforcement of Borrower's obligations hereunder or under any other Loan Document and waives any and all personal rights under the law of any other state to object to jurisdiction within such state for the purposes of litigation to enforce such obligations of Borrower.

K. WAIVER OF JURY TRIAL. Key Bank and the Borrower hereby waive trial by jury in any litigation in any court with respect to, in connection with, or arising out of this Note, any other Loan Document or the Loan, or any instrument or document delivered in connection with the Loan, or the validity, protection, interpretation, collection or enforcement thereof, or any other claim or dispute howsoever arising between the Borrower and Key Bank.

L. AUTHORITY OF KEY BANK. Borrower authorizes Key Bank to date this Note as of the day when the Loan is made.

M. NOTICES. Any notices required or permitted to be given hereunder shall be: (i) personally delivered or (ii) given by registered or certified mail, postage prepaid, return receipt requested, or (iii) forwarded by overnight courier service, in each instance addressed to the addresses set forth at the head of this Note, or such other addresses as the parties may for themselves designate in writing as provided herein for the purpose of

receiving notices hereunder. All notices shall be in writing and shall be deemed given, in the case of notice by personal delivery, upon actual delivery, and in the case of appropriate mail or courier service, upon deposit with the U.S. Postal Service or delivery to the courier service.

N. LIABILITY IF MORE THAN ONE BORROWER. If more than one person or entity executes this Note as a Borrower, all of said persons or entities are jointly and severally liable hereunder.

O. ENTIRE AGREEMENT. This Note and the other Loan Documents constitute the entire understanding between Borrower, the Guarantors, if any, and Key Bank and to the extent that any writings not signed by Key Bank or oral statements or conversations at any time made or had shall be inconsistent with the provisions of this Note and the other Loan Documents, the same shall be null and void.

IN WITNESS WHEREOF, Borrower has executed this instrument the date first above written.

HARRIS BAY YACHT CLUB, INC.

By 
Name: David G. Kling
Title: President

STATE OF NEW YORK)
) ss.:
COUNTY OF Albany)

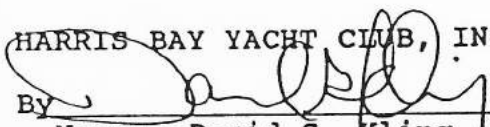
On this 29th day of April, 1994, before me the subscriber personally appeared David G. Kling, who being by me duly sworn, did depose and say; that he resides in the Town of Guilderland, Albany County, New York; that he is President of Harris Bay Yacht Club, Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.


NOTARY PUBLIC

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BRIAN J. O'DONNELL
Notary Public, State of New York
Qualified in Albany County
No. 4624005
Commission Expires Oct. 31, 19 94

IN WITNESS WHEREOF, Borrower has executed this instrument by its duly authorized officer on the date first above written.

HARRIS BAY YACHT CLUB, INC.
By 
Name: David G. Kling
Title: President

STATE OF NEW YORK)
COUNTY OF *Albany*) ss.:

On this *29th* day of April, 1994, before me the subscriber personally appeared David G. Kling, who being by me duly sworn, did depose and say; that he resides in the Town of Guilderland, Albany County, New York; that he is President of Harris Bay Yacht Club, Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.


NOTARY PUBLIC

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BRIAN J. O'DONNELL
Notary Public, State of New York
Qualified in Albany County
No. 4624005
Commission Expires Oct. 31, 19*94*

ASSIGNMENT OF NOTES

This Assignment made this 29th day of April, 1994 between HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation with an office for the transaction of business on Route 9L, Cleverdale, New York (mailing address: P.O. Box 139, Cleverdale, New York 12820) (the "Assignor") and Key Bank of New York, a state banking association with an office for the transaction of business at 66 South Pearl Street, Albany, New York (the "Assignee").

W I T N E S S E T H :

WHEREAS, Assignor is the holder of certain pledge agreements (the "Pledge Agreements"), notes (the "Notes") and assignments of membership (the "Assignments") (collectively, the Pledge Agreements, Notes and Assignments are referred to herein as the "Documents"); and

WHEREAS, Assignor has entered into a loan transaction (the "Loan") with Assignee wherein Assignee has loaned Assignor the sum of \$1,800,000.00; and

WHEREAS, Assignee has required the Assignor to grant the Assignee liens, encumbrances and security interests on and in certain collateral (the "Collateral"); and

WHEREAS, the Collateral to be granted to Assignee includes all of the right, title and interest of the Assignor in and to the Documents;

NOW, THEREFORE, in furtherance of the foregoing, and in consideration of the Loan and other good and valuable consideration, the Assignor hereby makes the following grants, covenants, agreements, representations and warranties:

1. Assignor hereby assigns all of its right, title and interest in and to the Documents to Assignee and grants to Assignee the right, power and authority to take any and all actions which Assignee deems necessary or appropriate in connection with collecting all or any of the sums payable to Assignor under the Documents. Notwithstanding the foregoing, Assignee shall not be obligated to perform or discharge, any obligation, duty or liability with respect to the Documents under or by reason of this Assignment. This Assignment shall not operate to place responsibility for the control or care of the Documents upon Assignee.

2. Assignee shall have the right, power and authority to use and apply any proceeds received under the Documents for the payment of any and all costs and expenses incurred in connection with enforcing or defending the terms of this Assignment or the rights

of Assignee hereunder and to pay any sums due under the Loan Documents as that term is defined in Assignor's promissory note for \$1,800,000.00 dated on even date herewith. This Assignment is intended by Assignor and Assignee to create, and shall be construed to create, an absolute assignment to Assignee, subject only to the terms and provisions hereof, and not as an assignment as security for the performance of the obligations evidenced by the Loan Documents.

3. Assignor shall have a revocable license to collect and receive any proceeds under the Documents, it being understood, that such license may be revoked by Assignee, without notice to Assignor, upon the occurrence of an Event of Default under any of the Loan Documents. Unless and until such license is revoked, Assignor agrees to apply any proceeds to the payment of bona fide debts of Assignor and further agrees to apply any portion of the proceeds which represents a prepayment of principal on any of the Notes to the Loan.

4. This Assignment shall continue in full force and effect until (a) all sums due and payable under the Loan Documents shall have been fully paid and satisfied, together with any and all other sums which may become due and owing under this Assignment and (b) all other obligations of Assignor under the Loan Documents have been satisfied. At such time, this Assignment and the authority and powers herein granted by Assignor to Assignee shall cease and terminate.

5. Assignor hereby irrevocably constitutes and appoints Assignee its true and lawful attorney-in-fact, to undertake and execute any or all of the rights or powers described herein with the same force and effect as if undertaken or executed by Assignor, and Assignor hereby ratifies and confirms any and all things done or admitted to be done by Assignee, its agents, servants, employees or attorneys in connection with the Documents.

6. Assignee shall not in any way be liable to Assignor for any act done or anything omitted to be done to the Documents by or on behalf of Assignee in good faith in connection with this Assignment except for the consequences of its own gross negligence or willful misconduct. Assignee shall not be liable for any act of omission of its agents, servants, employees or attorneys, provided that reasonable care is used by Assignee in the selection of such agents, servants, employees and attorneys. Assignee shall be accountable to Assignor only for monies actually received by Assignee pursuant to the Assignment.

7. Assignor shall indemnify and hold Assignee harmless from and against any and all liability, loss, damage, cost or expense, including attorneys' fees, which it may incur under any of the Documents, or with respect to this Assignment or any action or failure to act of Assignee hereunder, and from and against any and all claims and demands whatsoever which may be asserted against Assignee by reason of any alleged obligation or undertaking on its

part to perform or discharge any of the terms, covenants and conditions of any of the Documents. In the event that Assignee incurs any such liability, loss, damage, cost or expense, the amount hereof, together with interest thereon from the date such amount was suffered or incurred by Assignee until the same is paid by Assignor to Assignee, at a rate equal to the maximum rate permitted by applicable law, shall be payable by Assignor to Assignee immediately upon demand, or at the option of Assignee, Assignee may reimburse itself therefor out of any proceeds collected by Assignee.

8. Upon request of Assignee, Assignor shall execute and deliver to Assignee, such further instruments as Assignee may deem necessary to effect this Assignment and the covenants of Assignor contained herein. Assignor shall cause such further instruments to be recorded in such manner and in such places as may be required by Assignee.

9. All of the representations, warranties, covenants, agreements and provisions in this Assignment by or for the benefit of Assignee shall bind and inure to the benefit of its successors and assigns.

10. This Assignment may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

11. This Assignment shall be governed by, construed and enforced in accordance with the laws of the State of New York.

LINE-OF-CREDIT NOTE

\$50,000.00

Albany, New York
Dated: April 29, 1994

FOR VALUE RECEIVED, HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation with an office for the transaction of business on Route 9L, Cleverdale, New York (mailing address: P.O. Box 139, Cleverdale, New York 12820) (the "Borrower") promises to pay to the order of KEY BANK OF NEW YORK, a New York State banking corporation with its principal office and place of business at 66 South Pearl Street, Albany, New York, 12207 ("Key Bank") the principal sum of FIFTY THOUSAND and no/100ths (\$50,000.00) DOLLARS or so much thereof as may be advanced from time to time as pursuant to the terms of this Note with interest on the unpaid principal balance of such amounts as are advanced or readvanced, as the case may be, at the Interest Rate (hereinafter defined). This Note evidences a loan (the "Loan") made available to Borrower as part of a credit facility. This Note is secured by (a) a first lien security interest in certain personal property (the "Personal Property") created through a security agreement dated on even date herewith from Borrower to Key Bank (the "Security Agreement") and financing statements executed in conjunction therewith (the "Financing Statements"), (b) the pledge by the Borrower that it will not dispose of or mortgage any assets without the consent of Key Bank as set forth in a Negative Pledge Agreement (the Negative Pledge") dated on even date herewith and (c) such other security as may now or hereafter be given to Key Bank by Borrower as collateral for the Loan (the Security Agreement, the Financing Statements, the Negative Pledge, this Note and such other documents evidencing such other security which may hereafter be given as further security for, or in connection with, the Loan, being hereinafter collectively referred to as the "Loan Documents").

I

DEFINITIONS

(a) "BASE RATE" shall mean the rate of interest set, determined or announced on a periodic basis by Key Bank of New York as its "Base Rate" which rate of interest is not necessarily the lowest rate charged by Key Bank of New York on loans and other credits which may be extended by Key Bank of New York at rates both above and below the Base Rate.

(b) "DEFAULT INTEREST RATE" shall mean the Interest Rate (hereinbelow defined) plus four (4%) percent per annum.

(c) "INTEREST RATE" shall mean the rate of interest to be paid by Borrower on any outstanding principal due under this Note and shall be equal to the Base Rate plus one-half (.50%) percent per annum.

(d) "MATURITY DATE" shall mean May 31, 1994.

II

ADVANCES AND READVANCES OF LOAN PROCEEDS

(a) ADVANCES AND READVANCES. Provided that no Event of Default (pursuant to Article IV, subsection (e) hereof or no event which but for the passage of time, the giving of notice, or both would constitute an Event of Default, has occurred, advances or readvances of proceeds of the Loan (each, an "Advance," if more than one, the "Advances") shall be made available to the Borrower from time to time in the manner set forth in this Article and information with regard to any Advances shall be recorded and maintained by Key Bank in its internal records and such records shall be conclusive as to the information set forth therein ten (10) days after mailing of the notice provided for in subsection (b) below, absent manifest error.

(b) PROCEDURE FOR ADVANCES. Borrower may obtain an Advance by telephone or written request from any of the individuals listed on the annexed Schedule Of Authorized Officers. Any Advance request shall be supported by such certifications, invoices and documentation as Key Bank may require and shall be deposited by Key Bank in account number 086000971 which is titled Harris Bay Yacht Club, Inc. (the "Advance Account") and the deposit of any Advance in the Advance Account by Key Bank shall be conclusive as to the receipt of said Advance by Borrower and Borrower will be responsible for repaying any Advance so made pursuant to the terms of this Note.

(c) ADVANCES BY KEY BANK. Key Bank may make Advances pursuant to the terms hereof, for the purpose of paying any sums which have become due and payable hereunder or under any other Loan Document.

III

PAYMENT OF PRINCIPAL AND INTEREST

(a) PERIODIC PAYMENTS OF INTEREST. Borrower shall pay accrued interest at the Interest Rate on the unpaid principal balance of this Note on the first (1st) day of the first (1st) month after the first Advance of Loan Proceeds and on the first (1st) day of each month thereafter until the Loan becomes due and payable as set forth below, when Borrower shall pay the full balance of principal, plus any accrued and unpaid interest and any other sums due under this Note. Key Bank shall have the right to debit any account of the Borrower with Key Bank for accrued and

unpaid interest which has become due and payable under the terms hereof.

(b) PERIODIC PAYMENTS OF PRINCIPAL. Key Bank shall credit principal payments against the Loan in amounts equal to sums paid to Key Bank or deposited in the Cash Collateral Account (as that term is defined in the Loan Agreement) to the extent that said sums are not otherwise applied by Key Bank as permitted hereunder.

(c) MATURITY OF OBLIGATIONS. On the Maturity Date, all sums of principal remaining unpaid plus accrued and unpaid interest shall be paid in full.

(d) CLEAN-UP. Borrower agrees that for a period of thirty (30) days during the term of the Loan, Borrower will have reduced the outstanding balance on the Loan to zero and will not request any further Advances of Loan proceeds.

IV

GENERAL CONDITIONS

A. METHOD OF PAYMENT. All payments under this Note are payable at 66 South Pearl Street, Albany, New York 12207, or at such other place as Key Bank shall notify Borrower in writing. Key Bank reserves the right to require any payment on this Note, whether such payment is of a regular installment or represents a prepayment, to be by wired federal funds or other immediately available funds or to be paid at a place other than the above address.

B. APPLICATION OF PAYMENTS RECEIVED. Except as may otherwise be provided in this Note, all payments received by Key Bank on this Note shall be applied by Key Bank to any unpaid Late Payment Charges (hereinbelow defined), accrued and unpaid interest then due and owing and the reduction of principal of this Note, in such order and in such amounts as Key Bank may determine from time to time.

C. LATE PAYMENT CHARGES. If Borrower fails to pay any amount of principal and/or interest on this Note for ten (10) days after such payment becomes due, whether by acceleration or otherwise, Key Bank may, at its option, whether immediately or at the time of final payment of the amounts evidenced by this Note, impose a late payment charge (the "Late Payment Charge") computed by multiplying the amount of each past due payment by four (4%) percent. Until any and all Late Payment Charges are paid in full, the amount thereof shall be added to the indebtedness secured by any of the Loan Documents. The Late Payment Charge is not a penalty and is deemed to be liquidated damages for the purpose of compensating Key Bank for the difficulty in computing the actual

amount of damages incurred by Key Bank as a result of the late payment by Borrower.

D. REFUSAL TO MAKE FURTHER ADVANCES, ACCELERATION AND DEFAULT. If:

(1) Borrower fails to pay any sum due on this Note within ten (10) days of the date the same is due; or

(2) Borrower shall fail to perform any other covenant, obligation or agreement required to be performed by Borrower under this Note, for fifteen (15) days; or

(3) Any warranty or representation made or given by Borrower or any financial or other statement submitted by or on behalf of Borrower, or any Guarantor in any instrument furnished in compliance with or in reference to this Note or the Loan Documents be false or misleading in any material respect; or

(4) Borrower or any Guarantor shall generally not be paying debts as they become due or file a petition or seek relief under or take advantage of any insolvency law; make an assignment for the benefit of creditors; commence a proceeding for the appointment of a receiver, trustee, liquidator, custodian or conservator of Borrower or any Guarantor or of the whole or substantially all of Borrower's or any Guarantor's property or of any collateral pledged as security for this Note; or if Borrower or any Guarantor shall file a petition or an answer to a petition under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or file a petition or seek relief under or take advantage of any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof; or

(5) A Court of competent jurisdiction shall enter an order, judgment or decree appointing or authorizing a receiver, trustee, liquidator, custodian or conservator of Borrower or any Guarantor or of the whole or substantially all of Borrower's or any Guarantor's property, or any portion of the collateral pledged as security for this Note, or enter an order for relief against Borrower or any Guarantor in any case commenced under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or grant relief under any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof and the same is not stayed or discharged within sixty (60) days of entry; or

(6) Under the provisions of any law for the relief or aid of debtors, a court of competent jurisdiction or a

receiver, trustee, liquidator, custodian or conservator shall assume custody or control or take possession from Borrower or any Guarantor of all or substantially all of Borrower's or any Guarantor's property or any portion of any collateral pledged as security for this Note; or

(7) There is commenced against Borrower or any Guarantor any proceeding for any of the foregoing relief or if a petition is filed against Borrower or any Guarantor under any chapter of the Bankruptcy Reform Act of 1978, as amended (or any successor statute thereto), or under any other similar law or statute of the United States of America, any state thereof, or any foreign country or subdivision thereof, and such proceeding or petition remains undismissed for a period of sixty (60) days or if Borrower or any Guarantor by any act indicates consent to, approval of or acquiescence in any such proceeding or petition; or

(8) Key Bank receives a notice to creditors with regard to a bulk transfer by Borrower or any Guarantor pursuant to Article VI of the Uniform Commercial Code or if the Borrower shall dissolve, terminate its existence, fail, cease normal business operation or otherwise discontinue its existence; or

(9) Borrower or any Guarantor fails to comply with any of the provisions set forth in the commitment letter from Key Bank dated April __, 1994, it being understood that the terms of said commitment letter are hereby incorporated in this Note and, to the extent that any of the terms of the commitment letter are in conflict with the terms of this Note, the terms of this Note shall prevail; or

(10) An "Event of Default", as said term is defined in any other Loan Documents, shall have occurred; or

(11) Borrower or any Guarantor fails to comply with the terms of or an "event of default" occurs under any other loan transaction or credit arrangement of any kind with Key Bank;

then, and in any such event (an "Event of Default"), Key Bank may, at its option, refuse to make any further advances of Loan proceeds and declare the entire unpaid balance of this Note together with interest accrued thereon and any other sums due hereunder or under the Loan Documents, to be immediately due and payable and Key Bank may proceed to exercise any rights or remedies that it may have under this Note or any other Loan Documents, or such other rights and remedies which Key Bank may have at law, equity or otherwise. In the event of such acceleration, Borrower may discharge its obligations to Key Bank by paying:

(a) the unpaid principal balance hereof as at the date of such payment, plus

(b) accrued interest computed in the manner set forth above, plus

(c) any Late Payment Charge computed in the manner set forth above, plus

(d) any other sum due and owing Key Bank under this Note or any other Loan Document.

E. COSTS AND EXPENSES ON DEFAULT. After the occurrence of an Event of Default, in addition to principal, interest and any Late Payment Charge, Key Bank shall be entitled to collect all costs of collection, including, but not limited to, reasonable attorneys' fees, incurred in connection with the protection or realization of collateral or in connection with any of Key Bank's collection efforts, whether or not suit on this Note or any foreclosure proceeding is filed, and all such costs and expenses shall be payable on demand and until paid shall also be secured by the Loan Documents and by all other collateral held by Key Bank as security for Borrower's obligations to Key Bank.

F. NO WAIVER BY KEY BANK. No failure by any Guarantor of the Loan to make any payments shall be deemed a waiver or release of Borrower's obligations hereunder. No failure on the part of Key Bank or other holder hereof to exercise any right or remedy hereunder, whether before or after the happening of a default, shall constitute a waiver thereof, and no waiver of any past default shall constitute waiver of any future default or of any other default. No failure to accelerate the Loan evidenced hereby by reason of default hereunder, or acceptance of a past due installment, or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or as a reinstatement of the Loan evidenced hereby or as a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right which Key Bank may have, whether by the laws of the state governing this Note, by agreement or otherwise; and Borrower and each endorser or Guarantor hereby expressly waive the benefit of any statute or rule of law or equity which would produce a result contrary to or in conflict with the foregoing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom such agreement is sought to be enforced.

G. FINANCIAL INFORMATION. Borrower will advise Lender in writing if Borrower operates on other than a calendar year basis. Borrower will at all times keep proper books of record and account in which full, true and correct entries shall be made in accordance with generally accepted accounting principles and will deliver to Key Bank, within one hundred twenty (120) days after the end of each fiscal year of Borrower, a copy of the annual financial statements of Borrower relating to such fiscal year, such

statements to include (i) the balance sheet of Borrower as at the end of such fiscal year and (ii) the related income statement, statement of retained earnings and statement of changes in the financial position of Borrower for such fiscal year, prepared by such certified public accountants as may be reasonably satisfactory to Key Bank. Borrower also agrees to deliver to Key Bank within fifteen (15) days after filing same, a copy of Borrower's income tax return and also, from time to time, such other financial information with respect to Borrower as Key Bank may request.

Borrower shall pay Key Bank a default charge equal to \$1,000.00 for each month or part thereof during which Borrower has failed to provide any of the financial statements required pursuant to this subsection provided that the penalty provision shall not be operative until Key Bank has given Borrower sixty (60) days notice of Borrower's failure to comply. Any amounts due hereunder shall be payable on demand and Key Bank's rights under this subsection shall be in addition to any other rights it may have based upon Borrower's failure to perform, including without limitation, the right to accelerate Borrower's obligation to repay the Loan as provided herein.

H. WAIVER BY BORROWER. Borrower and each endorser or Guarantor of this Note hereby waives presentment, protest, demand, diligence, notice of dishonor and of nonpayment, and waives and renounces all rights to the benefits of any statute of limitations and any moratorium, appraisalment, exemption and homestead now provided or which may hereafter be provided by any federal or state statute, including but not limited to exemptions provided by or allowed under the Bankruptcy Code of 1978, both as to itself personally and as to all of its or their property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

I. COMPLIANCE WITH USURY LAWS. It is the intention of the parties to conform strictly to the usury laws, whether state or federal, that are applicable to this Note. All agreements between Borrower and Key Bank, whether now existing or hereafter arising and whether oral or written, are hereby expressly limited so that in no contingency or event whatsoever, whether by acceleration of maturity hereof or otherwise, shall the amount paid or agreed to be paid to Key Bank or the holder hereof, or collected by Key Bank or such holder, for the use, forbearance or detention of the money to be loaned hereunder or otherwise, or for the payment or performance of any covenant or obligation contained herein, or in any of the Loan Documents, exceed the maximum amount permissible under applicable federal or state usury laws. If under any circumstances whatsoever fulfillment of any provision hereof or of the Loan Documents, at the time performance of such provision shall be due, shall involve exceeding the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit

of such validity; and if under any circumstances Key Bank or other holder hereof shall ever receive an amount deemed interest by applicable law, which would exceed the highest lawful rate, such amount that would be excessive interest under applicable usury laws shall be applied to the reduction of the principal amount owing hereunder or to other indebtedness secured by the Loan Documents and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal and such other indebtedness, the excess shall be deemed to have been a payment made by mistake and shall be refunded to Borrower or to any other person making such payment on Borrower's behalf. All sums paid or agreed to be paid to the holder hereof for the use, forbearance or detention of the indebtedness of Borrower evidenced hereby, outstanding from time to time shall, to the extent permitted by applicable law, and to the extent necessary to preclude exceeding the limit of validity prescribed by law, be amortized, pro-rated, allocated and spread from the date of disbursement of the proceeds of this Note until payment in full of the Loan evidenced hereby and thereby so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof and thereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between Borrower, any endorser or Guarantor and Key Bank.

J. GOVERNING LAW; SUBMISSION TO JURISDICTION. This Note shall be governed by and construed under the laws of the State of New York. Borrower and each endorser or Guarantor hereby submits to personal jurisdiction in said state for the enforcement of Borrower's obligations hereunder or under any other Loan Document and waives any and all personal rights under the law of any other state to object to jurisdiction within such state for the purposes of litigation to enforce such obligations of Borrower.

K. WAIVER OF JURY TRIAL. Key Bank and the Borrower hereby waive trial by jury in any litigation in any court with respect to, in connection with, or arising out of this Note, any other Loan Document or the Loan, or any instrument or document delivered in connection with the Loan, or the validity, protection, interpretation, collection or enforcement thereof, or any other claim or dispute howsoever arising between the Borrower and Key Bank.

L. AUTHORITY OF KEY BANK. Borrower authorizes Key Bank to date this Note as of the day when the Loan is made.

M. NOTICES. Any notices required or permitted to be given hereunder shall be: (i) personally delivered or (ii) given by registered or certified mail, postage prepaid, return receipt requested, or (iii) forwarded by overnight courier service, in each instance addressed to the addresses set forth at the head of this Note, or such other addresses as the parties may for themselves designate in writing as provided herein for the purpose of

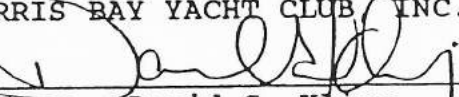
receiving notices hereunder. All notices shall be in writing and shall be deemed given, in the case of notice by personal delivery, upon actual delivery, and in the case of appropriate mail or courier service, upon deposit with the U.S. Postal Service or delivery to the courier service.

N. LIABILITY IF MORE THAN ONE BORROWER. If more than one person or entity executes this Note as a Borrower, all of said persons or entities are jointly and severally liable hereunder.

O. ENTIRE AGREEMENT. This Note and the other Loan Documents constitute the entire understanding between Borrower, the Guarantors, if any, and Key Bank and to the extent that any writings not signed by Key Bank or oral statements or conversations at any time made or had shall be inconsistent with the provisions of this Note and the other Loan Documents, the same shall be null and void.

IN WITNESS WHEREOF, Borrower has executed this instrument the date first above written.

HARRIS BAY YACHT CLUB, INC.

By 
Name: David G. Kling
Title: President

STATE OF NEW YORK)
) ss.:
COUNTY OF Albany)

On this 29th day of April, 1994, before me the subscriber personally appeared David G. Kling, who being by me duly sworn, did depose and say; that he resides in the Town of Guilderland, Albany County, New York; that he is President of Harris Bay Yacht Club, Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.


NOTARY PUBLIC

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BRIAN J. O'DONNELL
Notary Public, State of New York
Qualified in Albany County
No. 4624005
Commission Expires Oct. 31, 19 94

SCHEDULE OF AUTHORIZED OFFICERS

<u>Name</u>	<u>Title</u>
David G. Kling	President
Brian J. O'Donnell	Vice President
Michael O'Leary	Treasurer

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Key Bank of New York

A KeyCorp Bank

66 South Pearl Street
Albany, New York 12207-1501



April 29, 1994

Harris Bay Yacht Club
c/o Mr. Gordon Robbie
Dorfman - Robbie
401 New Karner Road
Albany, New York 12203

RE: Harris Bay Yacht Club

Dear Mr. Robbie:

Key Bank of New York (the "Bank") hereby agrees to provide financing to Harris Bay Yacht Club for the refinance of property located on Route 9L, Cleverdale, New York (the "Project"). The Borrower will Harris Bay Yacht Club, Inc. (the "Borrower"). This loan will be closed in the name of Key Bank of New York (KBNY) with the following conditions.

TERM LOAN

AMOUNT: \$1,800,000.00

INTEREST RATE: A fixed rate of interest equal to the Bank's Base Rate plus two percent (2%) per annum at the time of closing (the "Interest Rate"). Adjustment in the Interest Rate will be made by the Bank on each fifth anniversary and will be based on the Bank's Base Rate plus two (2%) percent.

TERM: 180 months

FEE: \$17,000.00

One-half of the total fee will be due upon Borrower executing and returning this Commitment Letter (\$8,500.00).

PURPOSE: The loan will be used to refinance a current loan to KBNY in the name of Harris Bay Yacht Club, Inc. with a balance in the amount of \$1,670,184.56. The balance of the loan will be available to the Borrower.

SECURITY: First lien mortgage on land, marina and improvements on property located on Route 9L, Cleverdale, New York.

AMORTIZATION: The Loan will be amortized over a 15 year schedule. The Borrower shall pay principal and interest payments commencing on the first day of the month following the consolidation and modification of said loan and each month thereafter until the Maturity Date when any accrued and unpaid interest, along with remaining principal shall be due and payable to the Bank.

Lump-sum principal payments on member notes receivable will continue to be applied directly to the outstanding principal balance.

**PREPAYMENT
PENALTY:**

Borrower may prepay this loan in whole or in part provided it notifies the Bank within 30 days of its intent to do so and pays any prepayment fees as hereinafter required as follows:

Years from Closing Date of Loan

1-10	2%
11-15	1%

APPRAISAL:

The documents evidencing the Loan will provide that the Bank may require the Borrower to provide the Bank with an appraisal or appraisals subsequent to the closing of the Loan. The documents will also provide that if said appraisal or appraisals indicate that the value of the property being pledged as collateral for the Loan has decreased so that the Loan To Value Ratio exceeds 60% percent then the Borrower must either (i) make payments to the Bank reducing the amount of the Loan to a point where the Loan To Value Ratio is 60% percent or lower, (ii) provide the Bank with liens and security interests in such additional collateral in all respects satisfactory to the Bank as will reduce the Loan To Value Ratio to 60% percent or lower, or (iii) pay off the Loan.

All costs of such future appraisals and any Loan reductions or pledges of additional collateral required as a result of said appraisal shall be paid by the Borrower.

TAXES:

A tax escrow account is established and a monthly escrow deposit established by the Bank will be continued to be included with your monthly payments to provide for payments of taxes and assessments levied against the mortgage premises as they become due. An escrow deposit will be collected for this purpose at the time of closing establishing your escrow account. **KINDLY BE ADVISED THAT THE BANK DOES NOT ESCROW FOR THE PAYMENT OF THE WATER AND SEWER TAX BILLS. PAYMENT OF WATER AND SEWER TAX BILLS ARE THE RESPONSIBILITY OF THE BORROWER.**

SECURED LINE OF CREDIT:

AMOUNT: \$50,000.00

INTEREST RATE: A variable rate of interest equal to the Bank's Base Rate plus one-half percent (1/2%) per annum (floating). The Bank's Base Rate is the rate of interest determined or announced by the Bank from time to time as its Base Rate. The Base Rate is not necessary the lowest rate of interest charged by the Bank on loans or other credit relationships. Each change in the Base Rate shall effect a simultaneous and corresponding change in the Interest Rate. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed and shall accrue until receipt of payment by the Bank.

TERM: 5/31/94

PURPOSE: Line of Credit financing will be used for Working Capital

REPAYMENT: Interest only due on a monthly basis with a minimum 30 day annual clean-up required.

SECURITY: First security lien on business assets. Negative pledge on all business assets and real estate.

CROSS-DEFAULT: The Line of Credit will be cross-defaulted with the mortgage.

**FINANCIAL
STATEMENTS:**

The following financial information shall be required throughout the term of both loans.

- Receipt of audited financial statement within 120 days past fiscal year end.
- Receipt of draft, quarterly statements within 30 days past quarter end.
- Receipt of monthly listing of member notes receivable balance and payments.
- Prior to closing, the Bank will be supplied with an updated list of members and Board of Directors.

**COSTS AND
EXPENSES:**

The Loan shall be made without any out-of-pocket costs and expenses to the Bank. The Borrower's acceptance of this Commitment shall constitute the Borrower's undertaking to pay all of such costs and expenses, including, without limitation, the fees and expenses of Bank's counsel.

Attached to this letter are the General Conditions of the Commitment Letter. We expect the Borrower to comply to these terms and conditions in every respect, where applicable.

If you find this Letter and the General Conditions to be in accordance with your understanding of the transaction, kindly indicate such acceptance by signing and returning the attached copy of this Letter within ten days or Key Bank of New York, at its option, may cancel this Commitment. Along with the acceptance of this Commitment, we are to be provided with a check in the amount of \$8,500.00 that will serve as the Commitment Deposit and be made payable to Key Bank of New York. The balance of the commitment fee will be collected at the time of closing.

If the transaction hereby contemplated is for any reason other than the Bank's default not consummated pursuant to the terms and conditions of this Letter, the Bank shall have the right in its absolute discretion and without the requirement of any notice to Borrower, to retain the proceeds of said Commitment Deposit as liquidated damages, and not as a penalty; however, upon the closing of this Loan, proceeds of said Commitment Deposit shall be applied in partial payment of the Commitment Fee payable to the Bank at the initial closing of the Loan. Under the terms of this Commitment, you are liable to pay on demand all costs incurred by this Bank in connection with your requests. These costs will include all legal fees whether the Loan closes or not.

Upon receipt of said acceptance of this Commitment, we will be pleased to notify our attorney to proceed with the necessary preparation of documents.

If the Loan is not closed within 60 days from the date of this Commitment, the Commitment will, at the option of the Bank, be automatically null and void. As to the date of acceptance of this Commitment and the date of expiration of this Commitment, time is of the essence.

Very truly yours,



Karen E. Miele
Banking Officer
Commercial Real Estate Division

Accepted this 29th day of April, 1994

HARRIS BAY YACHT CLUB, INC.

by: 

KEY BANK OF NEW YORK

GENERAL CONDITIONS

1. COMMITMENT: The following general terms and conditions are part of a Commitment to Harris Bay Yacht Club, Inc. for a Term Loan in the amount of \$1,800,000.00 and a Secured Line of Credit for \$50,000.00.
2. KEY AFFILIATE: At our option, we reserve the right to close the Loan represented by the Commitment in our own name or in the name of any one of our affiliates or any other KeyCorp subsidiary.
3. LOAN DOCUMENTS: All instruments and documents required hereby or affecting the Project, or relating to Borrower's capacity and authority to enter into the Loan and to execute the loan documents and such other documents, instruments, opinions and assurances as the Bank and/or Counsel may request (collectively, the "Loan Documents") and all procedures in connection herewith shall be subject to approval, as to both form and substance, of the Bank and its Counsel. All persons or entities responsible for the preparation and/or execution of the instruments specifically required hereby, all obligors thereunder and all persons or entities responsible for the Project, shall be satisfactory to the Bank.
4. NO WAIVER: The provisions of the Commitment cannot be waived or modified unless such waiver or modification is in writing and signed by the Bank.
5. NO ASSIGNMENT: The Commitment shall not be assignable to any person or entity without the Bank's prior written consent and any assignment or attempted assignment thereof by the Borrower shall be null and void and constitute a default by the Borrower hereunder.
6. DUE ON SALE: This Loan was approved in reliance upon Borrower's credit, financial capacity and property management expertise. Accordingly, in the event Borrower shall either sell, convey or alienate the subject property, or any part thereof, or any interest therein the Loan shall become immediately due and payable.
7. SOLVENCY: At the time of initial and any subsequent disbursement, the Bank may, at its discretion, require that it be provided with evidence satisfactory that there is not pending against Borrower (or any principals of Borrower, guarantor) a petition in bankruptcy, whether voluntary or otherwise, an assignment for the benefit of creditors, a petition seeking reorganization or arrangement under the

Federal Bankruptcy Laws of the United States or of any state thereof, or any other action brought under the aforesaid bankruptcy laws.

8. ANNUAL OPERATING STATEMENT: The Note shall contain a provision requiring Borrower to furnish the Bank with an annual operating statement in a form satisfactory to the Bank showing all items of income and expense for the operation of the subject property within 120 days of the close of each operating year of Borrower for the entire loan life. Failure to deliver Financial and Operating Statements within 15 days of the specified date will constitute an Event of Default. The Bank may, at its option, assess a late fee in the amount of one thousand dollars (\$1,000) for each thirty-day period if such statements are not delivered within 60 days subsequent to notice by the Bank. Borrower will, within 60 days of Loan disbursement, advise the Bank in writing as to the commencement of its operating year.

9. FINANCIAL INFORMATION: The Borrower and Guarantor(s) will submit on an annual basis a Balance Sheet, Income Statement, and Tax Return. Failure to deliver financial information within 15 days of the date specified will constitute an Event of Default. The Bank may, at its option, assess a late fee in the amount of one thousand dollars (\$1,000) for each thirty-day period if such statements are not delivered within 60 days subsequent to notice by the Bank. The Borrower hereby warrants the accuracy of all financial information provided or to be provided.

10. INTENDED USE OF LOAN PROCEEDS: Borrower hereby represents and warrants to the Bank that all proceeds of this Loan shall only be used on the aforementioned property.

11. LOAN DOCUMENTS AND SECURITY: The Loan shall be evidenced by a Promissory Note (the "Note") made by the Borrower and payable to the order of the Bank, in form and substance satisfactory to the Bank and its counsel. The aggregate principal amount outstanding and interest due under the Note shall be paid at maturity (original or accelerated). The Note will be secured by:
 - a. The note will be for funds advanced in addition to those covered by borrowers existing note and mortgage and there will be a consolidation, extension and modification agreement covering the entire amount of the debt. The entire debt will be secured by the collateral currently held by the Bank.

 - b. A conditional assignment of all leases relating to the Project of all rents, issues and profits derived from the Project.

12. **CLOSING DATE:** On the date that the Note is executed and delivered to the Bank (the "Closing Date"), each of the following shall be delivered to the Bank:
- a. Executed and, where necessary, acknowledged Loan Documents;
 - b. A policy of mortgage title insurance in American Land Title Association form, or an equivalent form satisfactory to Counsel;
 - c. Evidence of compliance with all laws, ordinances, rules, regulations and restrictions affecting the Project, the construction of the Building, and the consummation of the transaction contemplated by the Commitment;
 - d. Such policies of insurance, including without limitation, casualty, liability, flood and business interruption insurance as the Bank may request, all being issued by insurers and in form acceptable in all respects to the Bank; and
 - e. Such other documents, instruments, opinions and assurances as the Bank and/or Counsel may request.

13. **ENVIRONMENTAL:** The initial closing of this Loan and future advances are subject to an initial review of the Real Property to indicate that there exists no condition which violates or threatens to violate any statutes, regulations, or policies relating to environmental issues, including inter alia the presence of hazardous or toxic substances on the Real Property.

Without limiting the scope and generality of the requirement in the first paragraph of this section, the undertaking of the Bank to make the Loan as described in the within Commitment is subject to:

- a. The requirement that the Real Property shall be free of any encumbrances, lien or charge as of the time of Loan closing and from time to time thereafter by virtue of the Borrower's continued compliance with the requirements of the first paragraph of this section.
14. **TITLE INSURANCE:** The Borrower shall deliver to the Bank a title insurance policy from a title insurance company approved by the Bank, written on the then current form of ALTA Lender's Policy of Title Insurance, insuring the Bank as of the date of initial closing, and again as of the date of each future advance made on account of the Loan that the Mortgage constitutes a valid and subsisting first lien upon the fee title of the Borrower in the Project.

15. **LEASING:** No lease in the amount of \$7,500.00 or more and/or a term greater than one year or other agreement with reference to use or occupancy of the Project shall be entered into without the approval of the Bank, nor shall any approved lease or agreement be modified or amended without such approval by the Bank. The Bank does not waive its rights to review any and/or all leases relating to this property. The Mortgagor may enter into leases of individual docks in arms length transactions for commercially reasonable value without obtaining the Bank's consent.
16. **INTEREST:** The Loan evidenced by the Note shall bear interest at the annual rate, payable monthly in arrears, on the proceeds of the Loan advanced and outstanding during each monthly interest period by application of a 360-day per diem factor to the actual number of days during which the Borrower has had usage of the funds.
17. **LATE CHARGE & DEFAULT INTEREST RATE:** The Loan documents will contain a provision that a charge of four percent (4%), monthly, of any unpaid payment amount may be collected by the Bank after the due date of such payment. There will also be a provision under which, upon a default, interest will accrue at a lesser of four percent (4%) above the interest rate otherwise due or the highest interest rate permitted under the laws of the state in which the property is located.
18. **EXPENSES:** Whether or not any of the transactions contemplated by this Commitment close, the Borrower shall pay all of the Bank's out-of-pocket costs and expenses incident thereto, including but without limitation, brokerage commissions, title company premiums and charges, recording and filing fees, documentary stamps, any mortgage recording tax or other tax imposed by reason of the execution and delivery of the Note and the recording of the mortgage and other security loan documents, and the fees and expenses of counsel to the Bank. The provisions of this paragraph shall survive any termination of this Commitment, whether or not by reason of the consummation of the Loan.
19. **BROKERS:** The acceptance of the Commitment shall constitute an undertaking on the part of the Borrowers and any Guarantor to indemnify the Bank against claims of brokers arising in connection with the execution of the Commitment by the Bank and/or the consummation of the transaction contemplated by the Commitment.
20. **DEFAULT:** The Bank reserves the right to cancel this Commitment without notice upon the occurrence of any of the following:

- a. The Borrower or any Guarantor has failed to comply with any provision of this Commitment;
- b. In the event the financial condition of the Borrower or any Guarantor or the physical condition of the Project shall be adversely changed in any material degree prior to Closing from the information submitted by the Borrower in support of the Loan request;
- c. Filing by or against the Borrower or any Guarantor of a petition in bankruptcy or insolvency;
- d. If Borrower or any Guarantor shall
 - (i) apply for or consent to the appointment of a receiver, trustee or liquidator for it or them or for any of its or their property;
 - (ii) admit in writing an inability to pay its, his or their debts as they mature;
 - (iii) make a general assignment for the benefit of creditors;
 - (iv) be adjudicated bankrupt or insolvent; or
 - (v) file a voluntary petition or an answer seeking reorganization or an arrangement with creditors or take advantage of any bankruptcy, reorganization, solvency, readjustment for debt, dissolution or liquidation law or statute, or file an answer admitting the material allegations of a petition filed against it or them in any proceeding under any such law;
- e. If condemnation proceedings are commenced against the Project or any part thereof;
- f. If the Project is damaged or destroyed by fire, or other casualty and such damage is not repaired or restored to the Bank's satisfaction prior to the Closing; or
- g. If Borrower fails to fully comply with all of the terms and conditions contained in the Commitment or any submissions to be made by Borrower to the Bank pursuant to the Commitment are not in form and substance satisfactory to the Bank and/or Counsel.

21. SECONDARY FINANCING: Borrower will not encumber, pledge or otherwise use the security for this Loan including real and personal property as security for other borrowings without the express written approval of the Bank.

22. The foregoing terms and conditions are predicated upon our present understanding of the proposed transaction. All oral or written representations, covenants, contracts, side agreements and understandings between the parties, are hereby merged and contained within this Commitment and no other conversations, warranties, agreements or contracts entered into by the parties prior to the execution of this Commitment shall have effect in equity or in law.
23. Upon development of a more comprehensive understanding of details relevant to the Project, some further assurances of performance in the nature of additional security, or modifications of financing and ownership arrangements may be required; however, this provision shall be automatically void from and after the building loan closing.
24. The Borrower and the Bank mutually agree that, to the maximum extent permitted by law, the transactions contemplated by this Commitment shall be governed by the law of the State of New York and all documentation incident to completing the transaction contemplated by this Commitment shall be accepted, approved or acknowledged, as the case may be, at the offices of the Bank in Albany, New York.
25. ENTIRE AGREEMENT: The Commitment constitutes the entire understanding with regard to the Loan between the Bank, the Borrower and any Guarantors and to the extent that any writings which are not intended to specifically amend this Commitment or oral statements or conversations at any time made or had shall be inconsistent with the provisions of this Commitment, the same are null and void. The Borrower, any Guarantor, and the Bank understand that this provision will prevent them from introducing evidence of oral promises or agreements in any proceeding to resolve a dispute arising between any of the parties with regard to the Loan.
26. ARBITRATION:
- (a) Any controversy or claim between or among any of the Borrower, any Guarantor and the Bank or any holding company of which the Bank is a subsidiary, including but not limited to, those arising out of or related to this Commitment or any related agreements or instruments, and whether arising under contract or tort law, shall be determined by arbitration in accordance with Title 9 of the US Code and the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). All statutes of limitations and agreements imposing periods of limitation which would otherwise be applicable shall apply to any such arbitration proceeding. Judgement upon the award rendered may be entered in any court having

jurisdiction.

- (b) Whenever arbitration is required under subparagraph (a), the arbitrator shall be selected in accordance with this subparagraph. Except as otherwise provided, the arbitrator shall be selected in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Any arbitrator(s) selected under this subparagraph shall be knowledgeable in the subject matter of the dispute. A single arbitrator shall have the power to render a maximum award of \$100,000.00. Where any party seeks an award in excess of that amount, the dispute shall be decided by a majority of three arbitrators. For purposes of this subparagraph (b), the computation of the maximum award an arbitrator may make includes amounts awarded for interest, arbitration fees, attorneys' fees, and all other related costs.
- (c) All parties hereby waive any award of punitive damages by any one of them against any other, whether in arbitration or in any other forum, and hereby mutually agree that the damages against a party(ies) hereunder shall be limited solely to compensatory damages.
27. **PARTICIPATION:** The Bank reserves the right to participate out any portion of the Loan. Accordingly, the Borrower herein grants to the Bank the right to distribute without further notice to the Borrower and at the Bank's sole discretion, any information relative to the project such as cost estimates, income pro formas, and financial statements, including, but not limited to, those supplied by the Borrower.
28. The Bank will provide the Borrower with a schedule of estimated costs associated with the closing of this transaction.
29. **BANK COUNSEL:** *Hiscock & Barclay, 1 Key Corp Plaza, Suite 1100, Albany, New York 12207 at 434-2163* will act as Counsel to the Bank in connection with the Loan. Borrower is requested to make contact directly with: Ned Trombly, Esquire.

Uniform Commercial Code – FINANCING STATEMENT – Form UCC-1

JULIUS BLUMBERG, INC. N. Y. C. 10013

IMPORTANT – Read instructions on back before filling out form

This FINANCING STATEMENT is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code.

No. of Additional Sheets Presented:

3. The Debtor is a transmitting utility.

1. Debtor(s) (Last Name First) and Address(es):
HARRIS BAY YACHT CLUB, INC
Route 9L, P.O. Box 139
Cleverdale, NY 12820

2. Secured Party(ies) Name(s) and Address(es):
KEY BANK OF NEW YORK
66 South Pearl Street
Albany, New York 12207
Attn.: M. Kolanach

4. For Filing Officer: Date, Time, No. Filing Office

5. This Financing Statement covers the following types (or items) of property:

See Schedule "A" annexed hereto and made a part hereof

6. Assignee(s) of Secured Party and Address(es)

Products of the Collateral are also covered.

7. The described crops are growing or to be grown on:
 The described goods are or are to be affixed to:
 The lumber to be cut or minerals or the like (including oil and gas) is on:
*(Describe Real Estate Below)

8. Describe Real Estate Here:

This statement is to be indexed in the Real Estate Records:

9. Name of a Record Owner

No. & Street Town or City County Section Block Lot

10. This statement is filed without the debtor's signature to perfect a security interest in collateral (check appropriate box)

- under a security agreement signed by debtor authorizing secured party to file this statement, or
- which is proceeds of the original collateral described above in which a security interest was perfected, or
- acquired after a change of name, identity or corporate structure of the debtor; or as to which the filing has lapsed, or already subject to a security interest in another jurisdiction:
- when the collateral was brought into the state, or when the debtor's location was changed to this state.

HARRIS BAY YACHT CLUB, INC.

KEY BANK OF NEW YORK

By


Signature(s) of Debtor(s)

By

Signature(s) of Secured Party(ies)

(1) Filing Officer Copy-Numerical
(5/82)

STANDARD FORM - FORM UCC-1 – Approved by Secretary of State of New York

Uniform Commercial Code – FINANCING STATEMENT – Form UCC-1

JULIUS BLUMBERG, INC. N. Y. C. 10012

IMPORTANT – Read instructions on back before filling out form

This FINANCING STATEMENT is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code.

No. of Additional Sheets Presented:

3. The Debtor is a transmitting utility.

1. Debtor(s) (Last Name First) and Address(es):

2. Secured Party(ies) Name(s) and Address(es)

4. For Filing Officer: Date, Time, No. Filing Office

HARRIS BAY YACHT CLUB, INC.
Route 9L, P.O. Box 139
Cleverdale, NY 12820

KEY BANK OF NEW YORK
66 South Pearl Street
Albany, New York 12207
Attn.: M. Kolanach

5. This Financing Statement covers the following types (or items) of property:

6. Assignee(s) of Secured Party and Address(es)

See Schedule "A" annexed hereto and made a part hereof

Products of the Collateral are also covered.

8. Describe Real Estate Here:

This statement is to be indexed in the Real Estate Records:

9. Name of a Record Owner

7. The described crops are growing or to be grown on:
 The described goods are or are to be affixed to:
 The lumber to be cut or minerals or the like (including oil and gas) is on:
*(Describe Real Estate Below)

See Schedule B annexed hereto
Queensbury

Warren

Harris Bay Yacht Club, Inc.

No. & Street	Town or City	County	Section	Block	Lot
--------------	--------------	--------	---------	-------	-----

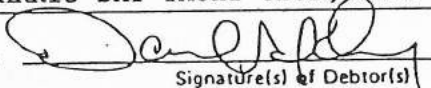
10. This statement is filed without the debtor's signature to perfect a security interest in collateral (check appropriate box)

- under a security agreement signed by debtor authorizing secured party to file this statement, or
- which is proceeds of the original collateral described above in which a security interest was perfected, or
- acquired after a change of name, identity or corporate structure of the debtor, or as to which the filing has lapsed, or already subject to a security interest in another jurisdiction:
- when the collateral was brought into the state, or when the debtor's location was changed to this state.

HARRIS BAY YACHT CLUB, INC.

KEY BANK OF NEW YORK

By


Signature(s) of Debtor(s)

By

Signature(s) of Secured Party(ies)

(1) Filing Officer Copy-Numerical (5/82)

STANDARD FORM - FORM UCC-1 – Approved by Secretary of State of New York

HARRIS BAY YACHT CLUB, INC.
YARDARM MARINA
ROUTE 9-L
CLEVERDALE, NEW YORK 12820

AMENDMENT NO. 11

The Offering Plan (the "Plan"), dated August 2, 1983, previously revised by 10 Amendments, is hereby revised as follows:

1. Boat Slip Capacity.

- A. The Schedule of Slip Location, Membership Cost and First Year's Annual Maintenance Cost originally appearing at pages 6-12 of the Prospectus, as previously amended from time to time is amended as follows:

The list of slips, their dimensions and any available length or beam are set forth on Exhibit A. The additional length and beam, where available may be purchased from the Club at prices established from time to time by the Board of Directors.

- B. Footnote 1 to the Slip Location, Membership Cost and First Year's Annual Maintenance Cost originally appearing at page 13 of the Prospectus and modified in Amendment 7 is hereby amended as follows:

The draft, length, and beam set forth on the Schedule are the maximum draft, length and beam of the boat that will be permitted by the Club pursuant to the roster the Club is required to maintain under Article V, Section B of the By-Laws except in cases in which the Board of Directors approves an oversize boat agreement executed by the members or assignees of the members of Harris Bay Yacht Club, Inc. granting the right to use certain designated slips for oversize boats. The Board of Directors shall have no obligation to approve any such agreement. In the event that the Board of Directors approves an oversize boat agreement, a notation shall be made on the roster maintained under Article V, Section B of the By-Laws that an oversize boat agreement has been approved and showing the maximum dimensions of the boats permitted in all affected slips. Oversize boat agreements shall be effective only during the calendar year in which they are approved, and approval in one year shall not obligate the Board of Directors to approve such an agreement in any subsequent year.

The Board of Directors may not, except by the affirmative vote of all Directors, approve an oversize boat agreement or otherwise permit the use of any slip for the dockage of a boat with dimensions greater than those set forth on Exhibit A, with the following two exceptions. First, by resolution at its August 18, 2003 meeting the Board of Directors authorized the rental to Gary Bordeau at Dock A-31 of 2 feet of additional length for as

long as he owns and uses A-31 for the Formula 40 Performance Cruiser purchased to dock in A-31. Second, by resolution at its meeting on December 16, 2004 the Board of Directors authorized the rental to Michael Wood at Dock F-22 of 2 feet of additional length for as long as he owns and uses F-22 for the Express Cruiser purchased to dock in F-22. The rental of these feet of additional length may not be transferred and terminate without further action of the Board of Directors when Mr. Bordeau and Mr. Wood cease to dock those specific boats in Slips A-31 and F-22.

2. **Membership Cost**

Footnotes 2-10 to the Slip Location, Membership Cost and First Year's Annual Maintenance Cost originally appearing at page 13 of the Prospectus and modified in Amendments 7 and 8 are hereby amended as follows:

Only 17 Memberships remain available for purchase from the Club. The Club intends to sell some or all of them by auction. A list of the slips, their dimensions, Member expenses, proration of rents and the minimum bids at which the Club intends to offer them on or about July 16, 2005 are set forth on **Exhibit B**. Annual Member expense is \$1,825.00 including Lake George Park Commission dock fee, and excluding special assessments, if any.

Footnotes 3-10 are deleted.

3. **Budget**

The Projected Budget for First Year of Operation of the Club originally appearing on page 16 of the Prospectus is hereby amended as follows:

The Club's 2005 Budget is as set forth on **Exhibit C**.

The remaining information contained at pages 17-34 of the Prospectus is historical and pertains to the Club's first year of operations.

4. **Real Estate Taxes.**

Note: Changes in the assessed value, if any, occur in May. Town and County taxes are billed in January and School tax is billed in September. So if there is a change in the Town and County assessment it will differ from the School assessment value.

The portion of the Plan on p.21 designated as "5. Real Estate Taxes" is amended to read as follows:

WARREN COUNTY

2005	<u>Assessed Value</u>	<u>Rate</u>	<u>Total Taxes</u>
Town & County	\$3,279,100.00	.005616	\$18,415.42
School	\$3,539,500.00	[bill comes out in August]	
2004	<u>Assessed Value</u>	<u>Rate</u>	<u>Total Taxes</u>
Town & County	\$3,279,100.00	.006569	\$21,540.42
School	\$3,279,100.00	.010402911	\$34,112.18

5. Procedure to Purchase

The Procedure to Purchase originally appearing at page 41 of the Prospectus as modified in Amendment 2 is amended as follows:

The Board of Directors may determine to sell Memberships owned by the Club either directly or by auction with established minimum bids. The Board of Directors has determined that the Club will offer 17 Club owned slips at an auction following the procedure contained in information packets attached to this Amendment as **Exhibit D**. These information packets were sent to the Club's existing Members and others on a waiting list. Successful bidders will be required to complete and sign a Harris Bay Yacht Club Contract form, make a non-refundable \$5,000.00 deposit and pay the balance of the purchase price not later than July 31, 2005. In the event that a successful bidder fails to complete the purchase, the Membership will be offered to the individual making the second highest bid. In the event that fewer than 17 Memberships are sold at that auction, the Board of Directors may authorize the Club to conduct subsequent auctions or direct sales at times and places as determined by the Board, or alternatively, the Board may decide to retain unsold Memberships for such time as it sees fit.

6. Terms of Mortgage

The Terms of Mortgage originally appearing at page 50 of the Prospectus is amended as follows:

The Club has from time to time refinanced its debt. The last refinance took place in 2003 and the Club has granted a mortgage to Banknorth N.A. to secure a note in the original principal amount of \$812,890.38, bearing interest at the rate of 5.0% per annum and maturing October 1, 2009. A copy of the mortgage is attached as **Exhibit E**. The mortgage was recorded on October 29, 2003 in the office of the Warren County Clerk in Liber 2292 at Page 1.

7. **The Club**

The Club originally appearing at page 54 of the Prospectus is amended as follows:

The purpose of the Club is to own, operate, maintain and improve the Marina property for the use of the members. There will be no more and no less than 271 memberships. Only natural persons can be members.

8. **Management Agreement**

Management Agreement as amended originally appearing at page 71 of the Prospectus is amended as follows:

The Management Agreement provision is deleted. The Club employs a general manager, office manager, certain full time, year round employees and a number of seasonal employees. The Club's staff cost is reflected in its budget. The Club also owns the equipment necessary to operate its facility.

9. **Selling Agency Agreement**

Selling Agency Agreement as amended originally appearing at page 72 of the Prospectus is amended as follows:

The Club does not employ a Selling Agent. The Club itself has registered with the New York State Attorney General's office as a "Broker Dealer" of its own memberships. The Club's general manager and office manager have registered as Salespeople. The Club charges a commission of 4% of the sales price of memberships sold and 6% of the lease price of memberships leased.

9. **Boatowner's Agreements**

Boatowner's Agreements originally appearing at page 75 of the Prospectus is historical. At the present time the Club has leased all 17 memberships it is offering for sale, except A-1, as shown on the schedule contained in Exhibit D to this Amendment. Upon sale of the memberships the rental income will be prorated between the Club and the purchaser.

10. Financial Statements

The Club's Statement of Revenues and Expenses, and Balance Sheets for the period 1994-2004 are attached as **Exhibit F**.

This amendment together with the plan and amendments I - X disclose the material facts and circumstances concerning the property of Harris Bay Yacht Club, Inc. and the Offering.

DATED: July 6, 2005

HARRIS BAY YACHT CLUB, INC.

By 
BRIAN J. O'DONNELL, PRESIDENT

STATE OF NEW YORK)
)ss.:
COUNTY OF ALBANY)

On the 6TH day of July, in the year 2005, before me personally came Brian J. O'Donnell, to me known, who, being by me duly sworn, did depose and say that he reside in Slingerlands, New York; that he is the President of the Harris Bay Yacht Club, Inc., the corporation described in and which executed the above instrument; and that he signed his name thereto by like authority of the board of directors of said corporation.


NOTARY PUBLIC

KELLY A. HARTLEY
Notary Public, State of New York
No. 01HA4990987
Qualified in Schenectady County
Commission Expires Jan. 21, 2012

DOCK NUMBER	LENGTH	BEAM	DRAFT	L/B
A-01	30	13	2.5	
A-02	30	13	2.5	
A-03	38	14	2.5	
A-04	30	10	2.5	
A-05	36	12	2.5	
A-06	30	10	2.5	
A-07	36	13	2.5	
A-08	30	10	2.5	
A-09	36	12	2.5	
A-10	30	10	2.5	
A-11	36	12	2.5	
A-12	30	10	2.5	
A-13	36	12	2.5	
A-14	30	9	2.5	
A-15	37	13	3.5	
A-16	30	11	3.5	2L
A-17	36	12	3.5	
A-18	30	10	3.5	
A-19	36	13	3.5	
A-20	30	10	3.5	2L
A-21	36	12	3.5	
A-22	30	10	3.5	2L
A-23	36	13	3.5	
A-24	30	10	3.5	2L
A-25	36	12	3.5	
A-26	30	10	3.5	2L
A-27	36	12	3.5	
A-28	30	10	3.5	2L
A-29	36	13	3.5	
A-30	30	10	3.5	2L
A-31	36	13	3.5	
A-32	30	11	3.5	2L
A-33	36	13	3.5	
A-34	30	10	3.5	2L
A-35	36	13	4	
A-36	30	10	3.5	2L
A-37	42	14	4	
A-38	32	14	4	
B-01	26	10	2	4L/1B
B-02	26	10	2	4L/1B
B-03	28	10	2.5	
B-04	28	11	2.5	2L
B-05	28	10	3	
B-06	28	11	3	
B-07	28	10	3	2L
B-08	30	11	3	
B-09	28	10	3.5	2L
B-10	30	11	3.5	

D-03	26	9	2.5
D-04	26	9	2.5
D-05	26	10	3
D-06	26	10	3
D-07	26	10	3
D-08	26	10	3
D-09	26	10	3
D-10	26	10	3
D-11	26	10	3
D-12	26	10	3
D-13	26	10	3
D-14	26	10	3
D-15	26	10	3.5
D-16	26	10	3.5
D-17	26	11	3.5
D-18	26	11	3.5
D-19	26	10	3.5
D-20	26	10	3.5
D-21	26	11	3.5
D-22	26	11	3.5
D-23	26	10	3.5
D-24	26	10	3.5
D-25	26	11	3.5
D-26	26	11	3.5
D-27	26	10	4
D-28	26	10	4
D-29	26	11	4
D-30	26	11	4
D-31	26	10	4
D-32	26	10	4
D-33	26	10	4
D-34	26	10	4
D-35	26	10	4
D-36	26	10	4
D-37	26	10	4
D-38	26	10	4
D-39	30	14	4.5
D-40	42	14	4.5
D-41	30	10	4.5
D-42	30	10	4.5 4L
E-01	26	10	2
E-02	26	10	2 2L
E-03	26	9	2.5
E-04	26	9	2.5 2L
E-05	26	9	3
E-06	26	9	3 2L
E-07	26	9	3
E-08	26	9	3 2L
E-09	26	9	3
E-10	26	9	3 2L
E-11	26	9	3
E-12	26	9	3 2L

E-13	26	9	3
E-14	26	9	3 2L
E-15	26	9	3.5
E-16	26	9	3.5 2L
E-17	26	9	3.5
E-18	26	9	3.5 2L
E-19	26	9	3.5
E-20	26	9	3.5 2L
E-21	26	9	3.5
E-22	26	9	3.5 2L
E-23	26	10	3.5
E-24	26	10	3.5 2L
E-25	26	10	3.5
E-26	26	10	3.5 2L
E-27	26	10	3.5
E-28	26	10	3.5 2L
E-29	26	10	3.5
E-30	26	10	3.5 2L
E-31	26	9	4
E-32	26	9	4 2L
E-33	26	10	4
E-34	26	10	4 2L
E-35	26	9	4
E-36	26	9	4 2L
E-37	26	10	4
E-38	26	10	4 2L
E-39	36	14	4.5
E-40	42	14	4.5
E-41	30	11	4.5 4L
E-42	30	11	4.5 4L
F-01	28	12	2
F-02	28	12	2
F-03	28	12	2.5
F-04	28	12	2.5
F-05	28	9	2.5
F-06	28	9	2.5
F-07	30	10	3
F-08	30	10	3
F-09	30	11	3
F-10	30	11	3
F-11	28	9	3.5 2L/1B
F-12	30	11	3.5
F-13	30	11	3.5 1B
F-14	30	10	3.5
F-15	28	10	3.5 2L/2B
F-16	32	11	3.5
F-17	28	9	3.5 2L/2B
F-18	30	10	3.5 4L
F-19	32	12	3.5 2B
F-20	30	10	3.5
F-21	28	9	3.5 2B
F-22	34	13	3.5

F-23	32	13	3.5 3B
F-24	36	12	3.5
F-25	28	9	3.5 4L/7B
F-26	36	13	3.5
F-27	30	10	3.5 2L/3B
F-28	36	12	3.5
F-29	32	12	3.5 3B
F-30	36	13	3.5
F-31	32	12	3.5
F-32	36	12	4
F-33	32	13	4
F-34	36	13	4.5
F-35	32	14	4.5
F-36	36	14	4.5 2L
F-37	42	14	4.5

HARRIS BAY YACHT CLUB INC.
MEMBERSHIP AUCTION
JULY 16, 2005

DOCK #	LENGTH	BEAM	DRAFT	MINIMUM START BID	PRO-RATED SUMMER DOCKAGE	2005-2006 WINTER STORAGE	PRO-RATED MEMBER EXPENSES	NET CREDIT
A-01	30	13	2.5	\$ 65,000	\$ -	\$ -	\$ 856.25	\$ (856.25)
A-02	30	13	2.5	\$ 65,000	\$ 1,760.00	\$ -	\$ 856.25	\$ 903.75
B-03	28	10	2.5	\$ 50,000	\$ 1,540.00	\$ 980.00	\$ 856.25	\$ 1,663.75
C-24	26	9	3.5	\$ 40,000	\$ 1,430.00	\$ 773.50	\$ 856.25	\$ 1,347.25
CE-03	26	10	4.5	\$ 35,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75
D-23	26	10	3.5	\$ 45,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75
D-25	26	11	3.5	\$ 48,000	\$ 1,430.00	\$ 686.00	\$ 856.25	\$ 1,259.75
D-27	26	10	4	\$ 48,000	\$ 1,430.00	\$ 773.50	\$ 856.25	\$ 1,347.25
D-31	26	10	4	\$ 48,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75
D-33	26	10	4	\$ 48,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75
D-35	26	10	4	\$ 48,000	\$ 1,430.00	\$ 773.50	\$ 856.25	\$ 1,347.25
D-37	26	10	4	\$ 48,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75
E-04	26	9	2.5	\$ 40,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75
E-23	26	10	3.5	\$ 45,000	\$ 1,430.00	\$ 743.75	\$ 856.25	\$ 1,317.50
E-25	26	10	3.5	\$ 45,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75
F-01	28	12	2.5	\$ 45,000	\$ 1,540.00	\$ -	\$ 856.25	\$ 683.75
F-04	28	12	2.5	\$ 48,000	\$ 1,540.00	\$ 850.50	\$ 856.25	\$ 1,534.25

HARRIS BAY YACHT CLUB INC.
2005 BUDGET PROJECTIONS

40000 STORAGE	\$ 110,000.00
41000 DOCKAGE	\$ 65,000.00
41500 CLUBHOUSE FEE	\$ 18,000.00
42000 BOAT HANDLING	\$ 10,000.00
42250 SERVICE	\$ 750.00
43000 STORE SALES	\$ 35,000.00
44000 GAS DOCK SALES	\$ 180,000.00
45000 RENTAL INCOME	\$ 18,000.00
46000 INTEREST INCOME	\$ 12,000.00
46200 COMMISSIONS	\$ 40,000.00
46301 MEMBER DUES	\$ 378,000.00
46302 SPECIAL ASSESS.	\$ 63,000.00
46400 OTHER INCOME	\$ -
46500 DISCOUNTS	\$ 500.00
46600 NEWLETTER	\$ 500.00
48000 SAILBOAT RIGGING	\$ -

TOTAL REVENUES \$ 930,750.00

53000 STORE PURCHASES	\$ 25,000.00
54000 GAS DOCK PURCHASES	\$ 148,000.00
60500 LABOR	\$ 207,500.00
60300 SIMPLE IRA	\$ 5,000.00
60100 PAYROLL SERVICE	\$ 2,100.00
60200 DOCKHAND INCENTIVE	\$ 2,750.00
60225 EMPLOYEE INCENTIVE	\$ 1,169.00
62250 MANAGER'S INCENTIVE	\$ 9,088.00
61000 OFFICE SUPPLIES	\$ 12,500.00
61500 ACCOUNTING	\$ 8,000.00
61550 LEGAL	\$ 7,500.00
61600 MISCELLANEOUS	\$ 13,500.00
61607 FREE GAS PROMO	\$ -
61700 HEALTH INS	\$ 5,250.00
61750 DENTAL INS	\$ 2,750.00
61800 INSURANCE	\$ 50,000.00
61900 MANAGEMENT FEE	\$ -
64000 MARKETING/ADV.	\$ 5,000.00
65000 BAD DEBT EXPENSE	\$ -
7000 VEHICLES	\$ 2,500.00
71000 UTILITIES	\$ 22,500.00
72000 OPERATING SUPPLIES	\$ 7,500.00
73000 BOAT HANDLING	\$ 62,500.00
74000 UNIFORMS	\$ 1,750.00
75000 EQUIPMENT	\$ 4,500.00
77000 BUILDING R & M	\$ 2,500.00
77500 DOCKS-FUEL-SEPTIC	\$ 10,000.00
79500 MAINTENANCE SUPPLIES	\$ 2,000.00

79600 TRASH REMOVAL	\$ 2,750.00
85000 REAL ESTATE TAXES	\$ 66,840.00
85500 PAYROLL TAXES	\$ 20,500.00
85600 NYS FRANCHISE TAX	\$ 9,000.00
85700 DOT RENT	\$ 3,180.00
85800 LG PARK DOCK TAX	\$ 1,000.00
92000 INTEREST	\$ 36,500.00
94500 RENTAL EQUIPMENT	\$ 600.00

EXPENSES SUB-TOTAL	\$ 761,227.00
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NET INCOME SUB-TOTAL	\$ 169,523.00
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90000 DEPRECIATION	\$ 160,000.00
91000 AMORTIZATION	\$ 4,200.00
91300 AMORTIZATION WRITE-OFF	\$ -

NET INCOME	\$ 5,323.00
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May 5, 2005

Dear Boater:



Because of the high demand for dock space on Lake George and the fact that we have a very long list of people waiting to purchase Memberships in Harris Bay Yacht Club, the Board of Directors has decided to hold an auction of 17 Memberships owned by the Club on Saturday, July 16, 2005 at Adirondack Community College, 640 Bay Road, Queensbury, NY. Registration will be from 2 p.m. until 3 p.m. with the auction starting promptly at 3 p.m.

A complete list of Memberships to be auctioned, the dimensions and minimum start bid for each is on the attached spreadsheet. The following information is also included in this packet: a brief summary of HBYC Membership rights and obligations; a list of annual Member Expenses; a Dock Map; diagrams and a description of HBYC's Boat Measurement Policy. The complete HBYC Offering Plan is available at the Club office for anyone to inspect from 8:30 a.m. until 5:00 p.m. any day. Prospective bidders are encouraged to read the Offering Plan prior to the auction.

All of the Memberships to be auctioned are rented for the 2005 season, and some are rented for the 2005-2006 winter storage through 4/30/06. Purchasers must honor the existing rental contracts. The pro-rated amount of rental income will be credited to the buyer at the time of closing, and the pro-rated amount of Member Expenses will be deducted from that amount. See the attached spreadsheet for details.

This invitation package is being mailed to all Harris Bay Yacht Club Members, Renters, and those who are on the Membership Waiting List. Because seating is limited, only pre-registered bidders will be allowed to attend the auction. As a recipient, you may wish to extend this invitation to a friend or family member who wishes to bid. Anyone planning to participate **MUST PRE-REGISTER IN WRITING BY JUNE 30, 2005.** Registration forms must be received in the Harris Bay Yacht Club office prior to 5:00 pm on June 30, 2005. No registration form arriving after that date and time will be accepted. Please read and follow the instructions on the enclosed Registration Form carefully and return the completed form, registration fee and stamped, self-addressed envelope to the HBYC office before the registration closing date of June 30, 2005. **TELEPHONE REGISTRATIONS WILL NOT BE ACCEPTED.**

Successful bidders will be required to make a \$5,000.00 non-refundable deposit for each Membership at the conclusion of bidding, with the balance of the purchase price due and payable no later than July 31, 2005. If the balance of the purchase price is not paid when due, HBYC will retain the deposit and offer the Membership to the individual who made the second highest bid. In the event that individual does not purchase the Membership within two weeks of its offer, HBYC will retain the Membership or dispose of it as it sees fit.

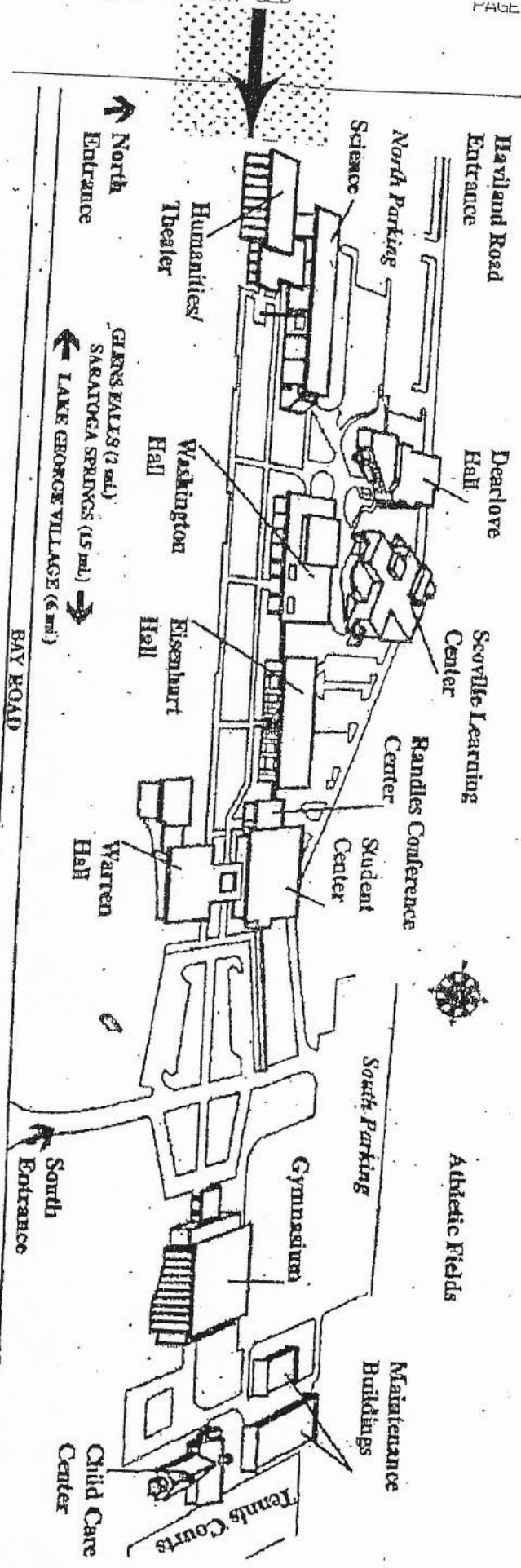
Yours truly,

Colleen Combs

P.O. BOX 139 • 2712 ROUTE 9L • CLEVERDALE, NEW YORK 12820 • (518) 656-9028 • FAX (518) 656-3639 • www.hbyc.com

LOCATION: 5186563639

RX TIME 06/07 '05 11:30



FROM THE SOUTH:

Exit 19 of I-87 (Northway)
 Turn RIGHT at light at end of ramp going EAST on AVIATION ROAD
 Continue straight through the next 6 lights (Aviation Road becomes Quaker Road at the 3rd light)
 At the 7th light, turn LEFT onto BAY ROAD going NORTH
 Continue on Bay Road less than 1 1/2 mile to ADIRONDACK COMMUNITY COLLEGE
 There is a traffic light at the south entrance - continue through the light to the NORTH entrance
 Turn RIGHT into the NORTH PARKING LOT
 Enter the Science Building and turn RIGHT down a hall way
 The AUCTION will be in the THEATRE on the right

FROM HWY 91:

WEST on ROUTE 91, 1 1/2 miles
 Turn LEFT onto BAY ROAD just west of Durham's Bay Sea Ray
 Continue on Bay Road THROUGH 2 traffic lights for 6.4 miles
 Turn LEFT into the NORTH PARKING LOT
 Enter the Science Building and turn RIGHT down a hall way
 The AUCTION will be in the THEATRE on the right



Membership Auction REGISTRATION FORM

OFFICE USE ONLY

If you are interested in participating in the membership bidding process, the following three items must be submitted to the HBYC office no later than 5:00 pm on the registration closing date of June 30, 2005. Telephone registrations will not be accepted and mailed submissions received after 5:00 pm on June 30, 2005 will not be accepted.

Registration Requirements:

1. This registration form, completely and legibly filled in.
2. A non-refundable \$25.00 Registration Fee. Provide only as a check made payable to Harris Bay Yacht Club. Do not send cash.
3. A pre-stamped, self addressed #10 business envelope. This may be required to inform you of any change of venue for the auction should registration estimates be exceeded and/or to provide you with additional information.

Registration Information (PLEASE PRINT)

NAME OF BIDDER

SS#

NAME OF SPOUSE/PARTNER (If membership will be joint)

SS#

ADDRESS
Street

City

State

Zip Code

TELEPHONE
Day

Evening

SIGNATURE

Date

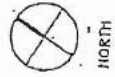
NOTE Only Pre-Registered Bidders and their spouse/partner will be permitted to attend the auction and will be required to sign in on arrival. Successful bidders will be required to make a \$5,000.00 non-refundable deposit for each Membership at the conclusion of bidding with the balance of the purchase price due and payable no later than July, 31, 2005.

P.O.BOX.139 • 2712 ROUTE 9L • CLEVERDALE, NEW YORK 12820 • (518) 656-9028 • www.hbyc.com

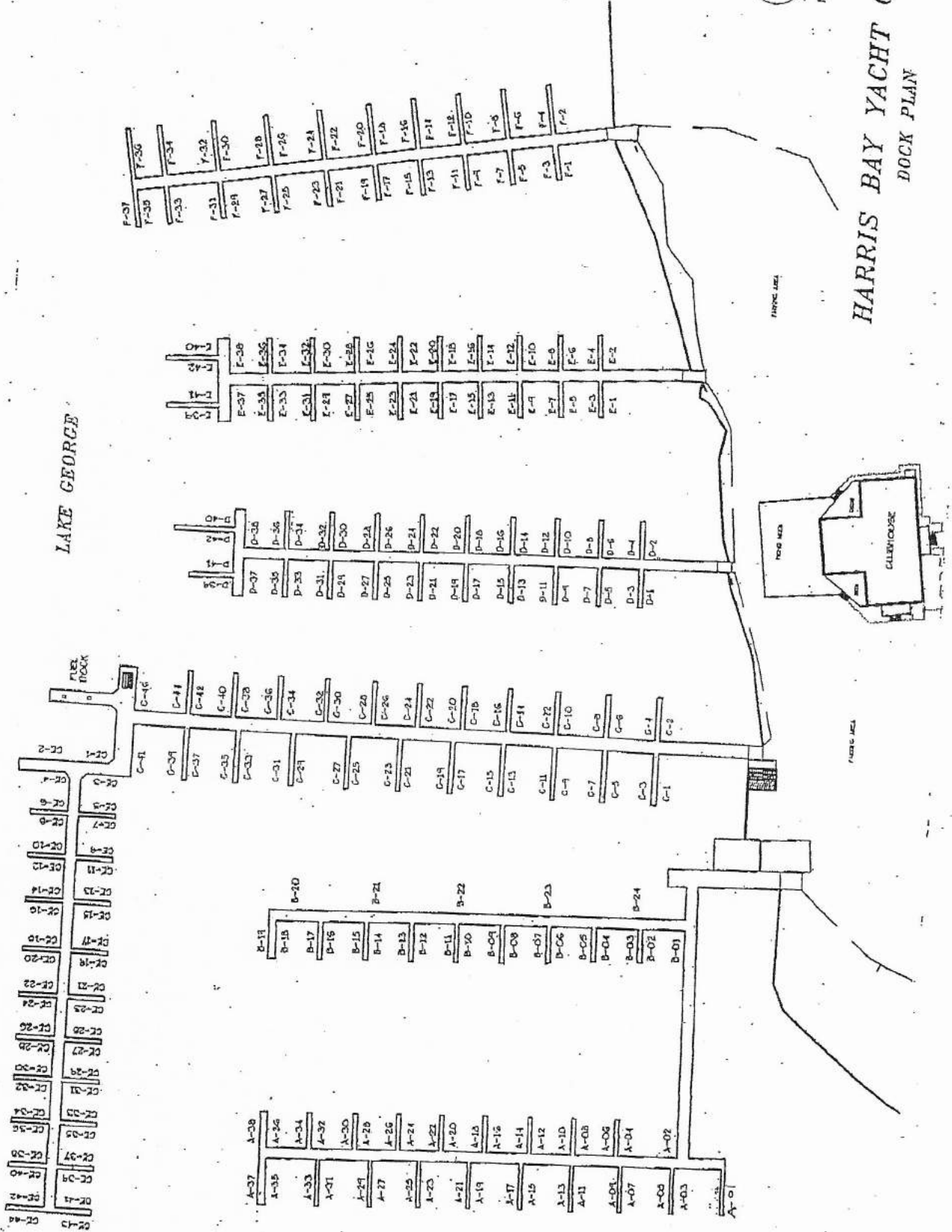
LOCATION:5186563639

RX TIME 06/07 '05 11:30

HARRIS BAY YACHT CLUB INC.									
MEMBERSHIP AUCTION									
JULY 16, 2005									
DOCK #	LENGTH	BEAM	DRAFT	MINIMUM START BID	PRO-RATED SUMMER DOCKAGE	2005-2006 WINTER STORAGE	PRO-RATED MEMBER EXPENSES	NET CREDIT	
A-01	30	13	2.5	\$ 65,000	\$ -	\$ -	\$ 856.25	\$ (856.25)	
A-02	30	13	2.5	\$ 65,000	\$ 1,760.00	\$ -	\$ 856.25	\$ 903.75	
B-03	28	10	2.5	\$ 50,000	\$ 1,540.00	\$ 980.00	\$ 856.25	\$ 1,663.75	
C-24	26	9	3.5	\$ 40,000	\$ 1,430.00	\$ 773.50	\$ 856.25	\$ 1,347.25	
CE-03	26	10	4.5	\$ 35,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75	
D-23	26	10	3.5	\$ 45,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75	
D-25	26	11	3.5	\$ 48,000	\$ 1,430.00	\$ 686.00	\$ 856.25	\$ 1,259.75	
D-27	26	10	4	\$ 48,000	\$ 1,430.00	\$ 773.50	\$ 856.25	\$ 1,347.25	
D-31	26	10	4	\$ 48,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75	
D-33	26	10	4	\$ 48,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75	
D-35	26	10	4	\$ 48,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75	
D-37	26	10	4	\$ 48,000	\$ 1,430.00	\$ 773.50	\$ 856.25	\$ 1,347.25	
E-04	26	9	2.5	\$ 40,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75	
E-23	26	10	3.5	\$ 45,000	\$ 1,430.00	\$ -	\$ 856.25	\$ 573.75	
E-25	26	10	3.5	\$ 45,000	\$ 1,430.00	\$ 743.75	\$ 856.25	\$ 1,317.50	
F-01	28	12	2.5	\$ 45,000	\$ 1,540.00	\$ -	\$ 856.25	\$ 573.75	
F-04	28	12	2.5	\$ 48,000	\$ 1,540.00	\$ 850.50	\$ 856.25	\$ 1,534.25	



HARRIS BAY YACHT CLUB DOCK PLAN





MEMBER EXPENSES

JANUARY 2 nd :	MEMBER DUES	\$375.00
	SPECIAL ASSESSMENT	\$125.00
APRIL 2 nd :	MEMBER DUES	\$375.00
	SPECIAL ASSESSMENT	\$125.00
	LGPC DOCK TAX	\$ 75.00
JULY 2 nd :	MEMBER DUES	\$375.00
OCTOBER 2 nd :	MEMBER DUES	\$375.00

TOTAL: \$1,825.00YR

MEMBER DUES: $\$375.00 \times 4 = \$1,500.00/\text{YEAR}$

SPECIAL ASSESSMENT: $\$125.00 \times 2 = \$250.00/\text{YEAR}$

L.G. PARK DOCK TAX: $\$75.00/\text{YEAR}$

HARRIS BAY YACHT CLUB MEMBERSHIP RIGHTS INCLUDE:

SUMMER DOCKAGE AND OUTSIDE WINTER STORAGE
 ONE LAUNCH AND ONE HAULOUT PER YEAR
 UNMETERED, 30 AMP SHORE POWER
 SPRING COMMISSIONING AND FALL DECOMMISSIONING (WINTERIZING
 ENGINE(S), HEAD(S), AND WATER SYSTEM)
 USE OF THE CLUBHOUSE RESTROOMS, SHOWERS, ETC.
 THE RIGHT TO VOTE IN THE ELECTION OF ONE (1) DOCK DIRECTOR AND
 TWO (2) DIRECTORS-AT-LARGE AS REPRESENTATIVES WHO SERVE ON THE
 BOARD OF DIRECTORS.

AVAILABILITY OF ADDITIONAL LENGTH OR BEAM FOR PURCHASE:

When HBYC became a 'dockominium' in 1985, each slip was rated for the maximum length, beam and draft that slip could accommodate. These dimensions are part of the official HBYC offering plan. When HBYC installed new docks with less surface area, additional length and/or beam became available *in some cases*. If available, additional length may be purchased from HBYC for \$1,500.00 per foot, and additional beam may be purchased for \$2,500.00 per foot, subject to the Board of Directors' approval.

HBYC BOAT MEASUREMENT POLICY: With the great variety of boat designs available, it became necessary for HBYC to develop a consistent and fair policy for the measurement of boats (see attached resolution). It is important that you understand the Club's policy before making any decisions regarding a different boat for your slip. Please contact Dan with any questions.

LENGTH: The centerline of a boat (hull length) is measured from the furthest point of the bow to the furthest point of the stern, not including the swim platform, bow pulpit or other "overhangs". Physical measurement: drop a plumb bob off the bow of the boat and one off the stern of the boat. The distance of that line is the hull length. If the transom is raked for or aft, the stern measuring point must be from the furthest point of the boat. In the case of integrated swim platforms, an accurate calculation must be made to differentiate between the furthest point of actual boat transom and the integrated portion of the swim platform.

LENGTH OVERALL: Measured from the furthest point of the bow to the furthest point of the stern. Physical measurement: drop a plumb bob off the bow's furthest point (usually the bow rail, pulpit, or anchor) and one off the furthest point of the stern (usually the stern davits, swim platform, outdrive(s), or bumper holders. The distance of this line is the length overall.

BEAM: Measured at the widest point of the boat. Physical measurement: hold two level straight edges at the widest point of the boat. The distance between the two level straight edges is the beam.

WEIGHT: In order to handle your boat safely, the weight of the boat must not exceed the limits of the Club's boat handling equipment. Please remember that the boat manufacturer's specifications are the dry weight of the boat - not including such things as the swim platform, generators, after-market additions, gas in the fuel tanks, holding tanks, etc. Management will use its discretion in determining whether or not any particular boat is within the safety limits of the Club's equipment.

PLEASE SEE THE ATTACHED RESOLUTION AND DRAWINGS.

HARRIS BAY YACHT CLUB, INC.

At a regular meeting of the Board of Directors of the Harris Bay Yacht Club, Inc. held at Lake George, New York on October 20, 1989, the following resolution was proposed, seconded and carried:

WHEREAS the prospectus of Harris Bay Yacht Club, Inc. contains maximum hull dimensions for boats permitted in each slip at the Harris Bay Yacht Club, Inc.; and

WHEREAS it appears to the Board of Directors of Harris Bay Yacht Club, Inc. that the boat owners and/or boat manufacturers are designing or outfitting equipment or attachments protruding from bows and sterns of boats ("overhang") (for example, and not by way of limitation, bow pulpits and swim platforms, etc.); and

WHEREAS the Board of Directors of Harris Bay Yacht Club, Inc. desire to establish limits on the amount of overhang which will be permitted on boats; now it is

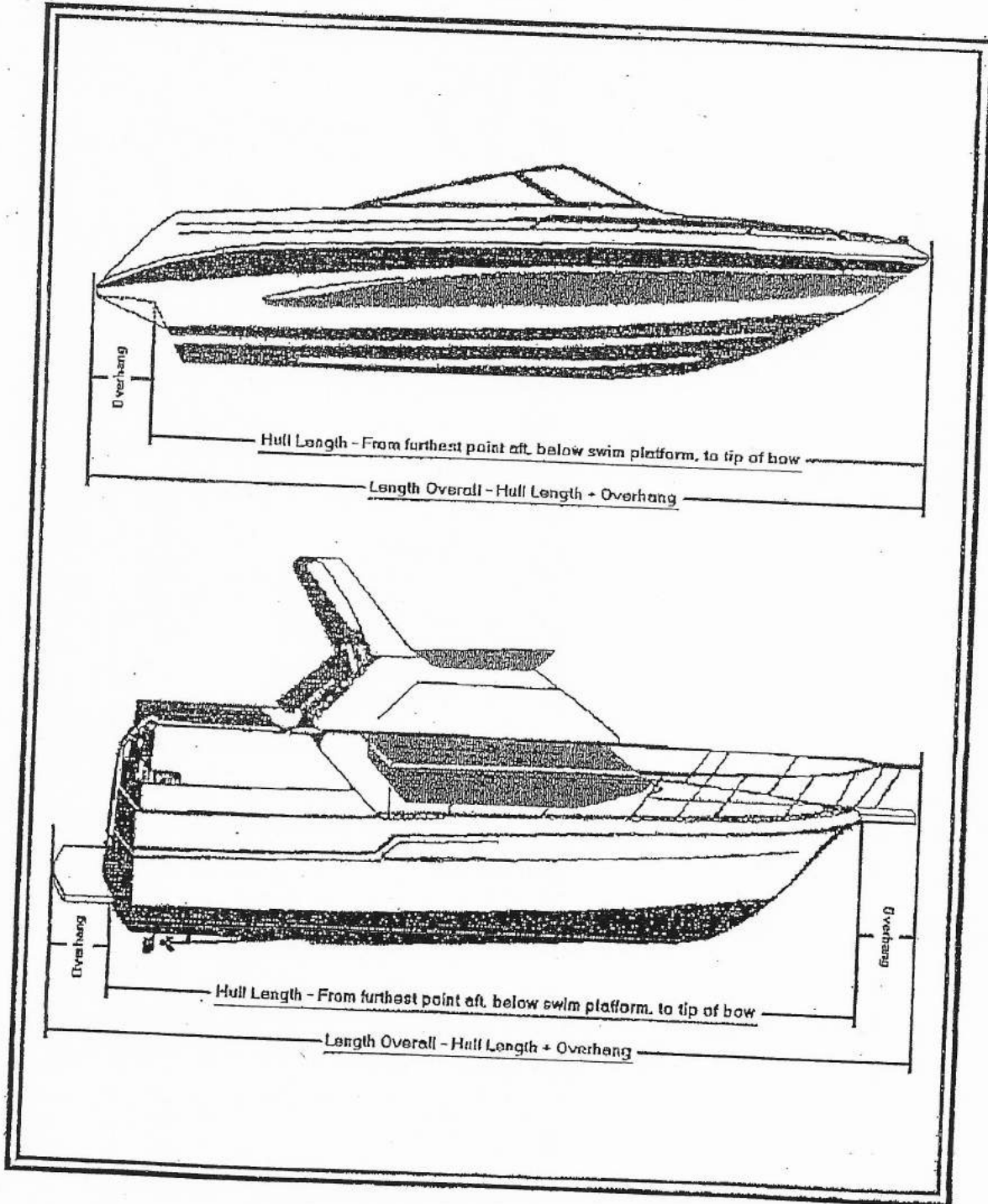
RESOLVED, that boats occupying slips for which the prospectus establishes the maximum hull length of 24' through 30' will be permitted overhang not exceeding 5' and boats occupying slips for which the prospectus establishes a maximum hull length of 32' through 42' will be permitted overhang not exceeding 6'; and it is further

RESOLVED, that the maximum hull length permitted in a slip shall be the hull length established by the prospectus; and it is further

RESOLVED that in determining whether a boat with its overhang will be permitted in a slip, the boat with its overhang will be measured from the farthest point aft, including all objects attached to or in contact with the hull and no boat will be permitted in a slip if the boat measured with its overhang exceeds the total hull length established by the prospectus and the overhang permitted by this regulation.



*Measurement Procedure
For size requirements*



COPY

Recorded 10/29/03
Book 2092
Page 1

MORTGAGE MODIFICATION AGREEMENT

This Mortgage Modification Agreement (the "Modification Agreement") dated September 24, 2003, is made by and between HARRIS BAY YACHT CLUB, INC., a New York not-for-profit corporation, with an address of PO Box 139, Cleverdale, New York 12820 (the "Borrower") and BANKNORTH, N.A., a national banking association having its main office at 237 Glen Street, Glens Falls, New York, 12801 (the "Bank").

WITNESS ETH:

WHEREAS, the Bank is now the lawful owner and holder of the following mortgage and the note secured thereby:

Amended and Restated Mortgage and Security Agreement from the Borrower to Charter One Bank, F.S.B., dated August 8, 2001 in the amount of One Million One Hundred Seventy Thousand and 00/100 Dollars (\$1,170,000.00) which mortgage was recorded in the Warren County Clerk's Office on September 21, 2001 in Book 1747 of Mortgage at Page 89 (the "Existing Mortgage") which mortgage was given to Charter One Bank, F.S.B. in full replacement and substitution for that certain mortgage dated April 29, 1994 from the Borrower to Key Bank, N.A. securing the original principal amount of One Million Eight Hundred Thousand and 00/100 Dollars (\$1,800,000.00) which amended and restated mortgage and security agreement has an outstanding principal balance in the amount of Eight Hundred Twelve Thousand Eight Hundred Ninety and 38/100 Dollars (\$812,890.38) and secures Promissory Notes from Harris Bay Yacht Club, Inc. to Yardarm Development Associates in the original principal amount of Four Million Dollars (\$4,000,000.00), Harris Bay Yacht Club, Inc. to Key Bank N.A. in the original principal amount of Sixty Three Thousand, Nine Hundred Seventy Four and 38/100 Dollars (\$63,974.38), Harris Bay Yacht Club, Inc. to Key Bank N.A. in the original principal amount of Eighty Three Thousand, Nine Hundred Ninety Two and 04/100 Dollars (\$83,992.04), Harris Bay Yacht Club, Inc. to Key Bank N.A. in the original principal amount of Five Hundred Thousand Dollars (\$500,000.00) and Harris Bay Yacht Club, Inc. to Key Bank N.A. in the original principal amount of One Hundred Twenty Nine Thousand, Eight Hundred Fifteen and 44/100 Dollars (\$129,815.44) which promissory notes were assigned to Charter One Bank, F.S.B. pursuant to that certain Assignment of Note dated August 1, 2001 and which promissory note was replaced by and substituted by a certain Amended and Restated Promissory Note in the amount of August 8, 2001 in the amount of One Million Seventy Thousand and 00/100 (\$1,070,000.00) which has an outstanding principal balance of Eight Hundred Twelve Thousand Eight Hundred Ninety and 38/100 Dollars (\$812,890.38) (the "Existing Note") and (ii) a promissory note (Revolving Line of Credit) from the Borrower to Charter One Bank, F.S.B. dated August 8, 2001 in the amount of One Hundred Thousand and 00/100 Dollars (\$100,000.00) which has been satisfied;

WHEREAS, the Existing Mortgage has been assigned by Charter One Bank, F.S.B. to the Bank pursuant to that certain Assignment of Note and Mortgage to be recorded simultaneously herewith; and

WHEREAS, the Existing Mortgage is a valid first lien upon the Premises; and

WHEREAS, the Borrower and the Bank have agreed to consolidate and modify the terms of the Existing Mortgage in the manner hereinafter set forth; and

WHEREAS, contemporaneous with the execution hereof the Borrower and the Bank have executed a note modification agreement (the "Note Modification Agreement") which modified the Existing Note secured by the Existing Mortgage.

NOW, THEREFORE, in consideration of the sum of Ten (\$10.00) Dollars each to the other in hand paid and of the mutual agreements hereinafter set forth, the parties hereto agree as follows:

1. All capitalized terms used herein and not otherwise defined herein shall have the meaning given said terms in the Schedule attached hereto and made a part hereof.

2. The Borrower covenants, represents and warrants that:

(a) There is, as of the date hereof, secured by the Existing Mortgage, the unpaid principal sum of Eight Hundred Twelve Thousand Eight Hundred Ninety and 38/100 Dollars (\$812,890.38) together with interest thereon from the date hereof and other sums or charges evidenced thereby;

(b) There are no defenses, offsets or counterclaims of any kind or nature whatsoever against the Existing Mortgage or the note secured thereby and as of the date hereof no Event of Default has occurred, nor has any event occurred which would be an Event of Default under the Existing Mortgage or the note secured thereby with the passage of time, the giving of notice or both;

(c) The Borrower has the power and capacity to enter into this Modification Agreement and to mortgage and pledge the property encumbered hereby in the manner and to the extent herein set forth, and the Existing Mortgage constitutes legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms;

(d) The execution and delivery of this Modification Agreement have not violated and will not violate the terms of (i) any statute, law, rule, order, judgment or decree of any Governmental Authority binding upon the Borrower, the Project Facility or any of the other property of the Borrower or (ii) any agreement, indenture or other instrument binding upon or affecting the Borrower or the Project Facility; and

(e) There are, to the best of the Borrower's knowledge, no actions, suits, appeals or proceedings pending or threatened against or affecting, the Borrower or the Project Facility which may materially adversely affect the financial condition of the Borrower, or the validity or enforceability of the Existing Mortgage or the priority of the Liens thereof or the notes secured thereby, at law or in equity, or before or by any Governmental Authority; and the Borrower is not in default with respect to any order, writ, judgment, decree or demand of any court or any governmental authority.

3. If not heretofore granted, conveyed, bargained, sold, set over, transferred, assigned, pledged and mortgaged unto the Bank, the Lien, grant, conveyance, transfer, assignment and pledge of the Existing Mortgage is hereby spread so that this Modification Agreement shall cover, create a security interest in and be a mortgage lien upon, and the Borrower does hereby grant, convey, bargain, sell, transfer, assign and pledge unto the Bank, and grant a security interest unto the Bank in, all of the Property described in the mortgage attached hereto as Schedule "A" and made a part hereof.

4. Whenever the terms "note", "Note", "indebtedness" or "Indebtedness" shall be used in the schedule annexed hereto, such terms shall mean and refer to the Note Modification Agreement.

5. The terms, covenants and conditions of the Existing Mortgage shall be and hereby are modified, superseded and replaced by the terms, covenants and conditions set forth in Schedule "A" annexed hereto and by this reference made a part hereof, and the Borrower agrees to comply with and be subject to all of the terms, covenants and conditions of the Existing Mortgage, as modified hereby.

6. Any written agreement or agreements hereafter entered into by the Bank which (i) extend the time of payment of the indebtedness evidenced by the Note Modification Agreement, (ii) change or modify the time or times of payment or the amounts of the installments or fixed sums or the interest or the rate thereof, (iii) change, modify, extend, renew or terminate other terms, provisions, covenants or conditions of the Existing Mortgage or the obligations which it secures or this Modification Agreement, or (iv) consolidate, spread, release or sever the lien of the Existing Mortgage, shall be effective in accordance with the terms and provisions thereof and shall be binding according to the tenor thereof on the owner or holder of subordinate, intervening or subsequent liens on the Project Facility and any such liens shall continue to be subject and subordinate to the Existing Mortgage, this Modification Agreement and any such agreement or agreements.

7. The Borrower certifies that this Modification Agreement secures the same indebtedness evidenced by the Note Modification Agreement and secured by the Existing Mortgage and secures no further or other indebtedness or obligation.

8. The Borrower hereby (i) ratifies and confirms the lien, conveyance and grant contained in and created by the Existing Mortgage and (ii) agrees that nothing contained in this Modification Agreement is intended to or shall impair the lien, conveyance and grant of the Existing Mortgage.

IN WITNESS WHEREOF, the parties hereto have duly executed this Modification Agreement as of the day and year first above written.

Dated: September 24, 2003

HARRIS BAY YACHT CLUB, INC.

By: *Brian J. O'Donnell*
Brian J. O'Donnell, Commodore

Dated: September 24, 2003

BANKNORTH, N.A.

BY: *Kathie L. Duncan*
Kathie L. Duncan, Sr. Vice President

STATE OF NEW YORK)
COUNTY OF WARREN) ss.:
)

On the 24 day of September, in the year 2003 before me, the undersigned, personally appeared Brian J. O'Donnell, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

Ellis Judd Staley III
Notary Public

ELLIS JUDD STALEY III
No. 01ST6060491
Qualified in Schenectady County

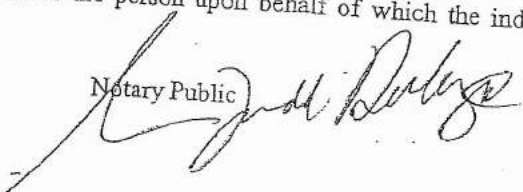
STATE OF NEW YORK

COUNTY OF WARREN

)
) ss.:
)

On the 21 day of September, in the year 2003 before me, the undersigned, personally appeared Kathie L. Duncan, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

Notary Public



ELLIS JUDD STALEY III
No. 01ST6060491
Qualified in Schenectady County
Commission Expires June 25, _____

ELLIS JUDD STALEY III
No. 01ST6060491
Qualified in Schenectady County
Commission Expires June 25, 2007

SCHEDULE "A"

MORTGAGE

THIS MORTGAGE, dated September ²⁴ 2003, from HARRIS BAY YACHT CLUB, INC., a New York corporation, with an address of PO Box 139, Cleverdale, New York 12820 (the "Borrower") to BANKNORTH, N.A. a national banking association having an office at 237 Glen Street, Glens Falls, New York 12801 (the "Bank");

WITNESSETH that (i) to secure the payment of an indebtedness evidenced by a certain note modification agreement between the Borrower and the Bank dated as of the date hereof in the principal sum of Eight Hundred Twelve Thousand Eight Hundred Ninety and 38/100 Dollars (\$812,890.38) lawful money of the United States, as said note may be modified, renewed or extended (the "Note"), which sum with interest thereon is to be paid by the Borrower to the Bank in accordance with the terms of the Note and (ii) to secure the payment by the Borrower to the Bank of all sums expended or advanced by the Bank pursuant to any covenant, condition, term or provision of this Mortgage or any other document executed in connection with the Note (all such sums, being hereinafter referred to collectively as the "Indebtedness"), and (iii) to secure the performance of each covenant, condition, term and provision by the Borrower to be performed pursuant to this Mortgage, the Borrower hereby mortgages, assigns and pledges unto the Bank, and grants to the Bank a security interest in the following described property (collectively the "Mortgaged Property") whether now owned or held or hereafter acquired:

ALL THAT TRACT OR PARCEL OF LAND situated in the Town of Queensbury, County of Warren and the State of New York, described in Schedule "A" annexed hereto and made a part hereof (hereinafter referred to as the "Land") and all appurtenances and incidences thereto, including all rights and interests of the Borrower in and to the Land lying in the bed of any streets, ways or alleys adjoining the Land to the center line thereof, whether opened or proposed, and the air space and right to use the air space above the Land.

TOGETHER with all of the Borrower's right, title and interest in and to all easements appurtenant to the Land and all royalties and rights appertaining to the use and enjoyment of the Land, including, without limitation, development drainage, crop, timber, agricultural, horticultural, mineral, water, riparian, flooding, oil and gas rights;

TOGETHER with any and all buildings, structures and improvements now or at any time hereafter erected, constructed or situated upon the Land or any part thereof (collectively, the "Facility"), including all right, title and interest of the Borrower in and to all building materials and fixtures of every kind and nature whatsoever on the Land or in any building now or hereafter standing on the Land or owned by the Borrower and stored off the Land;

TOGETHER with all fixtures, chattels and articles of personal property now or hereafter attached to or used in connection with the Land or the Facility, including, without limitation, all articles of personal property and all appurtenances and additions thereto and substitutions or replacements thereof, owned by the Borrower and now or hereafter attached to, contained in, or used in connection with the Land and/or the Facility or placed on any part thereof, though not attached thereto, including, but not limited to, all maintenance equipment and security devices; planters, benches, chairs, tables, screens, furniture and furnishings; heating, lighting, plumbing, ventilating, air conditioning, vacuum cleaning systems; call systems; sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors, machinery, pipes, appliances, equipment, fittings and fixtures and all snow removal,

security and other vehicles together with any and all replacements thereof and additions thereto (collectively, the "Equipment" and together with the Land and the Facility, the "Project Facility");

TOGETHER with any and all leases or any other occupancy agreements with respect to the Project Facility or any part thereof now or hereafter entered into, including all amendments, modifications and extensions thereof, whether written or oral, and any renewal rights under any of the foregoing and all right, title and interest of the Borrower with respect thereto; and including, without limitation, cash or securities deposited thereunder (whether the same was deposited to secure performance by the tenants of their obligations thereunder or to be held until the expiration of the terms of their leases, or to be held and applied to one or more installments of rent coming due immediately prior to the expiration of such terms, or otherwise), including, further, the right upon the happening of an Event of Default (as hereinafter defined), to receive and collect the rents, if any, and other charges thereunder (all of which leases are assigned as further security hereunder);

TOGETHER with all proceeds of, and any unearned premiums with respect to, any insurance policies, including, without limitation, any title insurance policies, covering the Project Facility or loss of income or rents from the operation of the Project Facility, including, without limitation, the right to receive and apply the proceeds of any insurance or any judgments, or settlements made in lieu thereof; for damage to any of the foregoing;

TOGETHER with the right, in the name and on behalf of the Borrower, to appear in and defend any action or proceeding brought with respect to the Project Facility or any part thereof and to commence any action or proceeding to protect the interest of the Bank with respect thereto;

TOGETHER with all of the Borrower's right, title and interest in and to any plans and specifications for the Project Facility and all contracts, permits, licenses, certificates, authorizations and approvals relating to the ownership, construction, use, operation and maintenance of the Project Facility;

TOGETHER with any and all monies and securities from time to time held by the Bank under the terms of this Mortgage and any and all other property of every name and nature, from time to time hereinafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Borrower or by anyone on its behalf or with its written consent in favor of the Bank;

TOGETHER with any and all proceeds from the conversion, voluntary or involuntary of the foregoing into cash or liquidated claims, including, without limitation, any and all moneys, awards and/or rights accruing or due as a result of any insurance claims or condemnation awards or payments in lieu thereof in connection with the Mortgaged Property or any portion thereof; and

TOGETHER with all right, title and interest of the Borrower in and to all extensions, improvements, betterments, renewals, substitutes and replacements of; and all additions and appurtenances to, any of the foregoing, hereafter acquired by, or released to, the Borrower or constructed, assembled or placed by the Borrower on the Project Facility, and all conversions of the security constituted by any of the foregoing, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by the Borrower, shall become subject to the lien of this Mortgage as fully and completely, and with the same effect, as though now owned by the Borrower and specifically described in the granting clauses hereof;

TO HAVE AND TO HOLD the Mortgaged Property unto the Bank, its successors and assigns forever.

AND the Borrower covenants with the Bank as follows:

1. THE INDEBTEDNESS. The Borrower will pay the Indebtedness as provided in the Note or in any modification, renewal or extension of the Note.
2. INSURANCE. (A) At all times that the Note is outstanding the Borrower shall maintain insurance with respect to the Project Facility against such risks and for such amounts as are customarily insured against by businesses of like size and type and pay, as the same become due and payable, all premiums in respect thereto, including but not limited to:
 - (1) All-risk insurance protecting the interests of the Borrower and the Bank against loss or damage to the Facility by fire, lightning and other casualties customarily insured against with a uniform standard extended coverage endorsement, including debris removal coverage, builder's risk and rent loss coverage, such insurance at all times to be in an amount not less than the full replacement cost of the Project Facility, exclusive of the footings and foundations, as determined by a recognized appraiser or insurer selected by the Borrower and acceptable to the Bank; provided, however, that the Borrower may, with the consent of the Bank, insure all or a portion of the Project Facility under a blanket insurance policy or policies covering not only the Project Facility or portions thereof but other property.
 - (2) If the Land is located within an area identified by the Secretary of the Department of Housing and Urban Development as having special flood hazards, insurance against loss by floods in an amount not less than the full replacement cost of the Mortgaged Property, if insurance in such amount is available, or if not available, the maximum amount as shall be available.
 - (3) Insurance protecting the Borrower against loss or losses from liabilities imposed by law or assumed in any written contract or arising from personal injury and death or damage to the property of others caused by any accident or occurrence, with limits of not less than \$1,000,000 combined single limit on account of personal injury, including death resulting therefrom, and damage to the property of others.
 - (4) Workers' compensation insurance, disability benefits insurance, and each form of insurance which the Borrower is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Borrower who are located at or assigned to the Project Facility and for all contractors and subcontractors.
 - (5) Policies of insurance against loss or damage to the air conditioning, heating system, steam boilers or other high pressure machinery, if any, in an amount reasonably satisfactory to the Bank.
 - (6) All insurance coverage required by any governmental authority in connection with any governmental requirement.

(7) All insurance required by Section 2 hereof shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Borrower and authorized to write such insurance in the State of New York and acceptable to the Bank. The insurance company issuing the policies required by Section 2(A)(1) and (3) hereof shall be rated "A" or better by A.M. Best Co., Inc. in the most recent edition of Best's Key Rating Guide. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other entities engaged in businesses similar in size, character and other respects to those in which the Borrower is engaged. All policies evidencing the insurance required by Sections 2(A)(1), (2) and (5) hereof shall (i) contain a New York non-contributory mortgagee clause showing the Bank's interest as first mortgagee and loss payee in a form satisfactory to the Bank, (ii) provide for payment to the Bank as "lender/loss payee" of the net proceeds of insurance resulting from any claim for loss or damage thereunder, (iii) provide for at least thirty (30) days prior written notice to the Bank of the cancellation of such policies and of any material change in the terms and conditions thereof and (iv) provide for notice to the Bank of all material claims made thereunder. The Bank's address, as it should appear on said policies is as follows:

Banknorth, N.A., ISOA
237 Glen Street
Glens Falls, New York 12801
Attention: Commercial Loan Department

(C) The Borrower shall deliver to the Bank copies of all policies of insurance required by Section 2 hereof, together with proof of the payment of the premiums therefor. The Borrower shall deliver to the Bank annually a certificate reciting that there is in full force and effect insurance coverage of the types in the amounts required by Section 2 hereof and complying with the additional requirements of Section 2(B) hereof. Prior to the expiration of each such policy, the Borrower shall furnish the Bank with evidence that such policy has been renewed or replaced or is no longer required. The Borrower shall provide such further information with respect to the insurance coverage required by Section 2 hereof, as the Bank may from time to time reasonably require.

(D) The Bank shall apply the net proceeds of any insurance carried pursuant to Sections 2(A)(1), (2) and (5) to the restoration of the Project Facility unless the Borrower elects not to restore the Project Facility, in which case the Bank shall apply such portion of the net proceeds of insurance as is necessary to satisfy the Indebtedness.

(E) The Borrower shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under Section 2 unless the Bank is included therein as a mortgagee with loss payable to Bank under a standard mortgagee clause as required by Section 2(B) hereof. The Borrower shall immediately notify the Bank whenever any such separate insurance is taken out and shall promptly deliver to the Bank the policy or policies of such insurance.

(F) Each of the policies required pursuant to Section 2 shall waive any right of subrogation against any person insured under such policy, and shall waive any right of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any person insured under such policy.

3. MAINTENANCE/ALTERATIONS. The Borrower shall keep the Facility in good and safe operating order and condition and will, at its expense, make all necessary repairs and replacements to the

Facility. All repairs and replacements shall be comparable to the original improvements. The Borrower shall not alter or demolish any improvements located on the Mortgaged Premises without the prior written consent of the Bank which consent will not be unreasonably withheld.

4. PAYMENT OF TAXES. The Borrower will pay all taxes, assessments, sewer rents or water rates prior to the accrual of any penalties or interest thereon and in default thereof, the Bank may pay the same. In the event that the Bank shall pay any such tax, assessment, sewer rent or water rate, the Bank shall have the right, among other rights, to declare the amount so paid with interest thereon immediately due and payable, and upon default of the Borrower in paying any such amount with interest thereon, the Bank shall have the right to foreclose for such amount subject to the continuing lien of this Mortgage for the balance of the Indebtedness not then due.

5. DEPOSITS FOR TAXES AND INSURANCE. Upon the occurrence of any Event of Default hereunder, the Borrower, in addition to debt service payments payable pursuant to the Note, will pay to the Bank on each subsequent payment date under the Note, an amount sufficient to pay the aggregate of (A) the taxes, assessments and other charges referred to in Section 4 hereof payable, or estimated by the Bank to be payable, during the ensuing 12 months and (B) an amount equal to the aggregate of all insurance premiums due during the next ensuing 12 months on insurance policies required to be maintained by the Borrower in accordance with Section 2. Each payment pursuant to this Section 5 shall be in an amount equal to the quotient obtained by dividing an amount equal to the aggregate of all payments to be made for the items referred to in (A) and (B) above by a number equal to one less than the number of debt service payments due from the first date of any calculation hereunder of the amount of any deposits to the due date of said insurance premiums, taxes, assessments and other charges, as the case may be. All sums so deposited with the Bank shall be held by it in a non-interest bearing account, and the Bank will apply said deposits to payments required to be made pursuant to Section 2 and Section 4 hereof. If the amount of the deposits shall exceed the amounts due pursuant to Section 2 and Section 4 hereof, the Bank shall credit such excess against future payments to be made pursuant to this Section 5. In allocating such excess, the Bank may deal with the person shown on the records of the Bank to be the owner of the Mortgaged Property. If the deposits are not sufficient to pay the items set forth above, the Borrower shall pay to the Bank, within ten (10) days after request, an amount which the Bank shall estimate as sufficient to make up the deficiency.

6. PAYMENT OF MORTGAGE TAXES. The Borrower shall pay all taxes imposed pursuant to Article II of the Tax Law or any other statute, order or regulation, whether said tax is imposed at the time of recording or subsequent thereto. This obligation shall survive the satisfaction or other termination of this Mortgage. The Bank shall pay the tax imposed by Section 253 1-a(a), if applicable, if the Mortgaged Property consists of real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential units, each dwelling unit having its own separate cooking facilities.

7. STATEMENT OF AMOUNT DUE. The Borrower, within five (5) days upon request in person or within fifteen (15) days upon request by mail, will furnish a written statement duly acknowledged of the amount due under the Note, the date to which interest has been paid and whether any offsets or defenses exist against the Note.

8. NOTICES. (A) Any notices required or permitted to be given hereunder shall be: (i) personally delivered or (ii) sent by registered or certified mail, postage prepaid, return receipt requested, or (iii) sent by a nationally recognized overnight courier service, in each instance addressed to the

addresses set forth in (B) below, or such other addresses as the parties may for themselves designate in writing as provided herein for the purpose of receiving notices hereunder. All notices shall be in writing and shall be deemed given upon delivery.

The addresses to which notices hereunder shall be delivered are as follows:

TO THE BANK:

Banknorth, N.A.
237 Glen Street
Glens Falls, New York 12801
Attention: Kathie L. Duncan, Sr. Vice President

TO THE BORROWER:

Harris Bay Yacht Club, Inc.
PO Box 139
Cleverdale, New York 12820
Attention: Brian J. O'Donnell, Commodore

9. WARRANTY OF TITLE. The Borrower warrants the title to the Project Facility. The Borrower is now the owner of the Mortgaged Property upon which this Mortgage is a valid first lien for the amount of the Indebtedness, with interest thereon at the rate set forth in the Note and there are no defenses or offsets to this Mortgage or to the Note. The Borrower represents and warrants that it has the full power and authority to encumber the Project Facility and the Borrower has duly authorized the execution and delivery to the Bank of the Mortgage, the Note and all other documents executed contemporaneously herewith. The Borrower, at its expense, will defend title to the Project Facility and the interest of the Bank therein against all claims and demands and will maintain the priority of the lien of this Mortgage upon the Project Facility.

10. ASSIGNMENT OF RENTS AND LEASES. The rents, income and profits of the Project Facility and all leases at any time existing are hereby assigned to the Bank as further security for the payment of the Indebtedness, and the Borrower shall, on demand, surrender possession of the Project Facility to the Bank, and hereby consents that, at any time after such demand, the Bank may enter upon and take possession of the Project Facility and let the same and collect all rents, income and profits therefrom which are due or to become due and apply the same, after payment of all charges and expenses, on account of the Indebtedness, whether matured or not, but the Bank hereby waives the right to enter upon and take possession of the Project Facility for the purpose of collecting said rents, income and profits, and the Borrower shall be entitled to collect and receive said rents, income and profits (except as might be otherwise provided in any assignment of rents and leases executed in connection with this Mortgage), until the occurrence of an Event of Default (as hereinafter defined). Borrower hereby irrevocably directs each tenant of the Facility to pay to the Bank, upon receipt of notice from the Bank that an Event of Default shall have occurred under this Mortgage, all rent and other sums assigned to the Bank pursuant to this Section 10. In the event of an Event of Default, the Bank, by virtue of such right to possession, or as the agent of the Borrower, may dispossess, by the usual summary proceedings, any tenant then or thereafter in default in the payment of any rent, and the Borrower hereby irrevocably appoints the Bank the agent of the Borrower for such purpose. In the event that the Borrower is an occupant of the Project Facility, the Borrower agrees to surrender possession of that portion of the Project

Facility so occupied as the Bank may demand and in default of so doing, the Borrower may also be dispossessed by the usual summary proceedings. These covenants shall become effective immediately after the happening of any Event of Default solely on the determination of the Bank. In case of the appointment of a receiver of rents, the covenants herein contained shall inure to the benefit of such receiver.

11. LEASES. The Borrower will not, other than in the ordinary course of business, without the prior written consent of the Bank, (1) enter into any lease with respect to the Project Facility, (2) consent to any amendment or modification of any such lease so as to reduce the minimum rent or additional rent payable thereunder, increase the landlord's, or decrease the Tenant's, obligations thereunder, or alter the term thereof, or (3) terminate or accept the surrender of any such lease.

12. ACTIONS AND PROCEEDINGS. (A) The Bank shall have the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to bring any action or proceeding, in the name and on behalf of the Borrower, which the Bank, in its discretion, feels should be brought to protect its interest in the Mortgaged Property.

(B) If any action or proceeding shall be commenced to which action or proceeding the Bank is made a party or in which it becomes necessary, in the opinion of the Bank, to protect its interest in the Mortgaged Property, all sums paid by the Bank for the expense of any litigation to protect its interest in the Mortgaged Property, including reasonable counsel fees, costs and allowances, shall, together with interest thereon, be a lien on the Mortgaged Property and secured by this Mortgage and shall be collectible in like manner as the Indebtedness and shall be paid by the Borrower on demand.

13. SECURITY INTEREST UNDER THE UNIFORM COMMERCIAL CODE. This Mortgage shall be considered a security agreement pursuant to the provisions of the Uniform Commercial Code of New York covering that portion of the Mortgaged Property not constituting real property. The debtor is Harris Bay Yacht Club, Inc. and the secured party is Banknorth, N.A. Their addresses are set forth at the beginning of this Mortgage. Upon demand, the Borrower shall make, execute and deliver such other security agreements (as such term is defined in the Uniform Commercial Code of New York) as the Bank at any time may deem necessary or proper or require to grant to the Bank a perfected security interest in that portion of the Mortgaged Property not constituting real property, and upon the Borrower's failure to do so, the Bank is authorized to sign any such agreement as the agent of the Borrower. The Borrower hereby authorizes the Bank to file financing statements (as such term is defined in said Uniform Commercial Code of New York) at any time without the signature of the Borrower. The Borrower will, however, at any time upon request of the Bank, sign such financing statements. The Mortgager will pay all filing fees for the filing of such financing statements and for the refiling thereof at the times required, in the opinion of the Bank, by said Uniform Commercial Code of New York.

14. CONDEMNATION. The Bank is hereby authorized to collect and receive the proceeds of any condemnation awards from any governmental or other lawful authorities for the taking by eminent domain of the whole or any part of the Mortgaged Property and to give proper receipts and acquittances therefor and to apply the same toward the payment of the amount owing on account of the Mortgage and the Note in any manner the Bank shall designate, including, but not limited to, the application of such receipts to the then unpaid installments of the principal balance of the Note in the inverse order of their maturity, notwithstanding the fact that the amount owing thereon may not then be due and payable. The Borrower hereby covenants and agrees, upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning the aforesaid awards to the

Bank free, clear and discharged of any and all encumbrances of any kind or nature whatsoever. Notwithstanding any such taking by eminent domain, the Borrower shall continue to make all payments required by the Note until any such award shall have been actually received by the Bank and any reduction in the Indebtedness resulting from the application by the Bank of such award shall be deemed to take effect only on the date of such receipt. If the receipt of any condemnation award is less than the amount necessary to prepay the Note in full, the unpaid principal amount of the Note, together with all costs and accrued but unpaid interest thereon, may, at the option of the Bank, be declared to be immediately due and payable.

15. TRANSFER OF MORTGAGED PROPERTY. In the event of the sale, conveyance, lease, mortgaging, encumbrance or other transfer, by deed or by any other voluntary or involuntarily act or by operation of law or otherwise (including the entry into any land sale contract or other similar agreement and including any transfer or assignment of any legal or equitable ownership in the Borrower with the exception of the resale of individual membership interest in the Borrower), of any interest in the Mortgaged Property or a part thereof, except for individual dock and/or mooring leases in the ordinary course of business, while this Mortgage shall remain a lien thereon, the full balance of the Indebtedness then remaining unpaid, with interest, shall, at the option of the Bank, be immediately due and payable without notice or demand unless the prior written consent of the Bank to such sale, conveyance, or transfer shall have been obtained.

16. ACCESS. The Bank, by its employees or agents, shall at all times have the right to enter upon the Mortgaged Property during reasonable business hours for the purpose of examining and inspecting the same.

17. FINANCIAL STATEMENTS. (A) The Borrower shall provide the Bank with copies of the Borrower's audited business financial statement within one hundred twenty (120) days of each fiscal year end;

(B) Contemporaneously with the financial statements referred to in (A) above, and any other time within ten (10) days of the request of the Bank, the Borrower shall furnish to the Bank, a certificate of the Borrower stating that no Event of Default has occurred or is continuing or, if any Event of Default exists, specifying the nature and period of existence thereof and what action the Borrower has taken or proposes to take with respect thereto.

18. HAZARDOUS MATERIALS. (A) The Borrower has not used Hazardous Materials (as hereinafter defined) on, from or affecting the Mortgaged Property in any manner which violates any governmental requirement governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and, to the best of the Borrower's knowledge, no prior owner of the Mortgaged Property or any tenant, subtenant, prior tenant or prior subtenant have used Hazardous Material on, from, or affecting the Mortgaged Property in any manner which violates any governmental requirement governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials.

(B) "Hazardous Materials" shall mean all hazardous materials, including, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 6901, et seq.), the Hazardous Materials

Transportations Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

(C) The Borrower shall keep or cause the Mortgaged Property to be kept free of Hazardous Materials except petroleum and marine products used in the ordinary course of business. Without limiting the foregoing, the Borrower shall not cause or permit the Mortgaged Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable governmental requirements, nor shall the Borrower cause or permit, as a result of any intentional or unintentional act or omission on the part of the Borrower or any tenant or subtenant, a release of Hazardous Materials onto the Mortgaged Property or onto any other property. The Borrower shall comply with and ensure compliance by all tenants and subtenants with all applicable governmental requirements, whenever and whomever triggered, and obtain and comply with any and all approvals, registrations or permits required thereunder.

(D) The Borrower shall (1) conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Mortgaged Property (a) in accordance with all applicable governmental requirements, (b) to the satisfaction of the Bank, and (c) in accordance with the orders and directives of all governmental authorities, and (2) defend, indemnify, and hold harmless the Bank, its employees, agents, officers, and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release, or threatened release of any Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals or otherwise;) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials; (c) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials, and (d) any violation of governmental requirements, or demands of government authorities or any policies or government requirements of the Bank, which are based upon or in any way related to such Hazardous Materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event the Mortgage is foreclosed or the Borrower tenders a deed in lieu of foreclosure, the Borrower shall deliver the Mortgaged Property to the Bank free of any and all Hazardous Materials so that the conditions of the Mortgaged Property shall conform with all governmental requirements affecting the Mortgaged Property. The provision of this Section 18 shall be in addition to any and all other obligations and liabilities the Borrower may have to the Bank at common law and shall survive the transactions contemplated herein.

(E) If the Borrower fails to cause any release of a Hazardous Material on, at or from the Project Facility to be contained, removed, cleaned up and otherwise remediated within ninety (90) days after receiving notice thereof, the Bank shall have the right (but not the obligation), upon ten (10) days written notice to the Borrower (or without notice in the case of emergency), to take or complete such action on behalf of the Borrower. The contractors and/or subcontractors selected by the Bank shall have the right to enter the Project Facility with such persons, machinery and equipment, and to undertake such investigative, containment, removal, clean-up and other remedial actions as they shall deem necessary and appropriate without thereby incurring any liability to the Borrower on account thereof. The Borrower agrees to cooperate with all contractors and/or subcontractors engaged in such investigative, containment, removal, clean-up or other remedial actions. The Borrower shall be liable to the Bank for all costs and

expenses, including, without limitation, reasonable attorneys' and experts' fees, expenses and disbursements, paid or incurred on account of such actions undertaken on the Borrower's behalf and shall promptly reimburse the Bank therefor on demand. Until paid by the Borrower, all such costs and expenses, together with the interest thereon at the applicable interest rate (as described in the Note) shall be secured by this Mortgage and may be added to the judgment in any foreclosure action.

19. REAL PROPERTY LAW. All covenants hereof, which are in addition to those set forth in Sections 254 and 291-f of the New York State Real Property Law, shall be construed as affording to the Bank rights additional to, and not exclusive of, the rights conferred under the provisions of said Sections 254 and 291-f.

20. PERFORMANCE OF THE BORROWER'S COVENANTS BY THE BANK. In the event of any default by the Borrower in the performance of any of the covenants, terms, or provisions under this Mortgage, the Bank may, but shall not be obligated to, perform the same and the cost thereof, with interest, shall immediately be due from the Borrower to the Bank and shall be secured by this Mortgage. No such performance by the Bank shall constitute a waiver of release by the Bank of the Borrower's default in performing such obligation.

21. WAIVERS. Any failure by the Bank to insist upon the strict performance by the Borrower of any of the covenants, terms and provisions of this Mortgage shall not be deemed to be a waiver of any of the covenants, terms and provisions of this Mortgage, and the Bank, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by the Borrower of any and all of the covenants, terms and provisions of this Mortgage to be performed by the Borrower. Neither the Borrower nor any other person or entity now or hereafter obligated for the payment of the whole or any part of the Indebtedness shall be relieved of such obligation by reason of (i) the failure of the Bank to comply with any request of the Borrower, or of any other person or entity so obligated, (ii) the failure of the Bank to take action to foreclose this Mortgage or otherwise enforce any of the covenants, terms and provisions of this Mortgage or the Note, (iii) the release, regardless of consideration, of the whole or any part of the security held for payment of the Indebtedness or (iv) any agreement or stipulation between any subsequent owner or owners of the Mortgaged Property and the Bank modifying the covenants, terms and provisions of this Mortgage or the Note without first having obtained the consent of the Borrower or such other person or entity. In the last mentioned event, the Borrower and all such other persons or entities shall be liable to make such payments according to the terms and provisions of any such agreement or extension or modification unless expressly released and discharged in writing by the Bank. The Bank may resort for the payment of the Indebtedness to any other security therefor held by the Bank in such order and manner as the Bank may elect.

22. BANK NOT OBLIGATED. Nothing herein contained shall be construed (i) as making the payment of any insurance premiums, taxes or assessments obligatory upon the Bank, although the Bank may pay same, or (ii) as making the Bank liable in any way for loss, damage or injury, resulting from the non-payment of any such insurance premiums, taxes or assessments.

23. LIENS. The Borrower will, receive the advances secured by this Mortgage and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

24. EVENTS OF DEFAULT. The whole of the principal sum of the Indebtedness and all interest

thereon, and all other sums due and payable hereunder, shall become due, at the option of the Bank, if one or more of the following events (an "Event of Default") shall happen:

(A) the Borrower fails to pay any amount due under the Note or the Borrower fails to pay any amounts due under the Mortgage on the date such amount is due or within any grace period expressly applicable to such payment; or

(B) the Borrower or the Guarantor fails to comply with any of the covenants, conditions or agreements made, or to be observed, by it in the Note or this Mortgage; or

(C) the Borrower fails to keep the Facility and the personal property covered by this Mortgage insured against loss or damage by fire and other hazards as required herein; or the Borrower fails, after notice and demand, to assign or deliver the policies insuring the Project Facility against loss by fire and the policies insuring against other hazards; or

(D) the actual or threatened removal, demolition or structural alteration, in whole or in part, of the Facility, without the prior written consent of the Bank; or the removal, demolition or destruction in whole or in part of any Equipment without replacing the same with equipment at least equal in quality and condition to those replaced, free from any security interest or other encumbrance thereon other than a purchase money security interest given in the ordinary course of business on newly acquired or replaced Equipment and free from any reservation of title thereto; or the commission of any waste in respect to the Mortgaged Property; or

(E) the Borrower fails to pay within fifteen (15) days after notice and demand any installment of any assessment made against the Project Facility for local improvements, heretofore or hereafter made, which assessment is, or may become, a lien on the Project Facility prior to the lien of this Mortgage, notwithstanding the fact that such installment be not due and payable at the time of such notice and demand; or fails to exhibit to the Bank, within fifteen (15) days after demand, receipts showing payment of all taxes, assessment, water rates, sewer rents and any other charges which may have become a lien on the Project Facility prior to this Mortgage; or

(F) the Borrower fails to maintain the Project Facility in a marketable state of repair to the reasonable satisfaction of the Bank, or to comply with any order or requirement of any municipal, state, federal or other governmental authority having jurisdiction over the Project Facility within thirty (30) days after such order or requirement shall have been issued by any such authority; or the Borrower fails to comply with any and all statutes, requirements, orders or decrees of any federal, state or municipal authority relating to the use of the Mortgaged Property, or of any part thereof; or

(G) in the event of the entry of a final judgment or a series of final judgments for the payment of money against the Borrower or the Borrower in excess of \$25,000 in the aggregate not adequately covered by insurance, the Borrower fails to discharge such judgment or to have it stayed pending appeal within thirty (30) days from the entry thereof, or if such judgment shall be affirmed on appeal, the failure to discharge such judgment within thirty (30) days from the entry of such affirmance; or

(H) the Borrower, or any occupant of the Project Facility, fails to allow or permit the Bank, or its duly authorized agent, to inspect said Mortgaged Property at any time and from time to time during reasonable business hours; or

(I) the Borrower, or any guarantor of the Indebtedness, fails to observe or perform any covenants or agreements of the Borrower or any such guarantor under any financing document executed and delivered in connection with the loan evidenced by the Note; or

(J) the appointment by order of a court of competent jurisdiction of a custodian, trustee, receiver or liquidator of the Project Facility or any part thereof, or of the Borrower and such order shall not be discharged or dismissed within thirty (30) days after such appointment; or

(K) (1) the dissolution or liquidation of the Borrower or the filing by the Borrower or any guarantor of the Note of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute; (2) the failure by the Borrower or any guarantor of the Note within sixty (60) days to lift any execution, garnishment or attachment of such consequence as will impair the Borrower's ability to carry out its obligations hereunder or under any of the other financing documents; (3) the commencement of a case under Title 11 of the United States Code against or by the Borrower or any guarantor of the Note as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Borrower or any guarantor of the Note and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days; or (4) the filing, grant or entry of any order for relief by a court of competent jurisdiction under Title 11 of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Borrower or any guarantor of the Note; or

(L) the default by the Borrower or any guarantor of the Note under any other agreement or document now or hereafter in effect with the Bank; or

(M) a lien for the performance of work or the supply of materials is filed against the Project Facility and is not satisfied or bonded, or otherwise removed as a lien on the Borrower's real property within thirty (30) days after notice of filing thereof is received by the Borrower or if the Project Facility is encumbered by any other lien or encumbrance not approved by the Bank for thirty (30) or more days after the Borrower has actual knowledge or written notice of the existence of such lien or encumbrance; or

(N) at any time any representation or warranty made by the Borrower herein or any other instrument or document delivered by the Borrower to the Bank in connection with this Mortgage shall be incorrect in a material manner; or

(O) at any time any representation or warranty made by the Borrower herein or any other instrument or document delivered by the Borrower to the Bank in connection with this Mortgage shall be incorrect in a material manner; or

(P) the Borrower shall assign or convey or attempt to assign or convey any of its rights, duties or obligations under this Mortgage or any other document executed and delivered by the Borrower to the Bank in connection with this Mortgage; or

(Q) the Borrower shall mortgage, grant a security interest with respect to, encumber, transfer, lease, assign, sell or convey all or any portion of the Mortgaged Property or any interest therein, except as permitted under the terms of this Mortgage.

25. REMEDIES. (A) The Bank in any action to foreclose this Mortgage shall be entitled, without notice and as a matter of right and without regard to the adequacy of any security for the Note or

the solvency of the Borrower or the Borrower, upon application to any court having jurisdiction, to the appointment of a receiver of the rents, income and profits of the Mortgaged Property.

(B) Upon the occurrence of an Event of Default, the Bank may, by notice in writing delivered to the Borrower, declare the Note immediately due and payable, whereupon the Note shall become and be immediately due and payable, anything in the Note or this Mortgage to the contrary notwithstanding. In such event, there shall be due and payable the total outstanding principal balance of the Note plus all accrued but unpaid interest thereon and any other sums due pursuant to this Mortgage and all interest which will accrue thereon to the date of payment.

(C) Upon the occurrence and continuance of any Event of Default, the Bank may proceed forthwith to protect and enforce its rights under the Mortgage and the Note by such suits, actions or proceedings in equity or at law, whether for the specific performance of any covenant or agreement contained in this Mortgage or in aid of the execution of any of the power granted in this Mortgage or for the enforcement of any legal or equitable rights or remedies as the Bank shall deem most effectual to protect and enforce such rights under this Mortgage. In addition to any rights or remedies available to the Bank hereunder or elsewhere upon the occurrence and continuance of an Event of Default, the Bank may take such action, without notice or demand as it deems advisable to protect and enforce its rights against the Mortgaged Property, including, without limitation, any proceeding to foreclose the lien of this Mortgage against all or, from time to time, against any part of the interest of the Borrower in the Mortgaged Property and to have the same sold under the judgment or decree of a court of competent jurisdiction to the highest bidder, at public or private sale, subject to statutory and other legal requirements, if any, including all right, title and interest, claim and demand therein and thereto and all right of redemption thereof and further including the right to sell same and all estate, claim, demand, right, title and interest of the Borrower therein and rights of redemption thereof, pursuant to power of sale or otherwise.

(D) The Bank may sue for, enforce payment of and receive any amounts due or becoming due from the Borrower for principal, interest or otherwise under any of the provisions of the Mortgage and the Note, together with any and all costs and expenses of collection and of all proceedings under this Mortgage, without prejudice to any other right or remedy of the Bank, and to recover and enforce judgment or decree against the Borrower for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable. The Bank may file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Bank allowed in any judicial proceedings relative to the Borrower or its creditors or property.

(E) Upon the occurrence and continuance of any Event of Default, the Borrower, upon demand of the Bank, shall forthwith surrender the possession of, and it shall be lawful for the Bank to take possession of all or any part of the Project Facility, together with the books, papers and accounts of the Borrower pertaining thereto, and to hold, operate and manage the same, and from time to time to make all needed repairs and improvements as the Bank shall deem wise; and the Bank may sell the Project Facility or any part thereof, or lease the Project Facility or any part thereof in the name and for the account of the Borrower, collect, receive and sequester the rents, revenues, earnings, income, products and profits therefrom, and pay out of the same all proper costs and expenses of taking, holding, leasing, selling and managing the Project Facility, including reasonable compensation to the Bank, its agents and counsel, and any charges of the Bank hereunder, and any taxes and other charges prior to the lien of this Mortgage which the Bank may deem it wise to pay, and all expenses of such repairs and improvements. Whenever

all that is due upon the Note shall have been paid and all defaults made good, the Bank shall surrender possession to the Borrower; the same right of entry, however, to exist upon any subsequent Event of Default.

(F) In addition to (and without limitation of) any right of set-off, bankers' lien or counterclaim, the Bank shall have the right to offset balances held by it for the account of the Borrower at any of its offices against any principal of or interest on the Note or any other amount payable under the Note or Mortgage which is not paid when due (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower thereof, provided that its failure to give such notice shall not affect the validity of the exercise of such right of offset.

(G) The proceeds of any sale of the Mortgaged Property or any part thereof or any interest therein under this Mortgage, whether pursuant to a sale, foreclosure or otherwise, shall be applied as first to the payment of the costs and expenses of such sale (including, without limitation, attorneys fees, court costs and the cost and expenses of taking possession of, retaining custody over, repairing, maintaining and preserving the Mortgaged Property prior to such sale), all costs and expenses of any receiver of the Mortgaged Property or any part thereof, and any taxes, assessments or charges which the Bank may consider it necessary or desirable to pay, and then in reduction of the Indebtedness in such order and manner as the Bank may elect.

(H) In connection with any action brought pursuant to the Mortgage, the Borrower hereby waives, to the extent he lawfully may, all right to have the Mortgaged Property marshalled.

(I) In any action to enforce the rights of the Bank under the Mortgage, the Bank shall have the right to sell the Mortgaged Property as an entirety or in separate lots or parcels.

26. REMEDIES NOT EXCLUSIVE. The Bank may take action to recover the Indebtedness, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of the Bank thereafter to foreclose this Mortgage. The rights and remedies of the Bank under this Mortgage shall be separate, distinct and cumulative and none shall be given effect to the exclusion of any other rights or remedies now or hereafter existing at law or in equity. No act of the Bank shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision.

27. WAIVER OF JURY TRIAL. The Borrower hereby waives trial by jury in any litigation in any court with respect to, in connection with, or arising out of this Mortgage, any other loan document or the Indebtedness, or any instrument or document delivered in connection with the Indebtedness, or the validity, protection, interpretation, collection or enforcement thereof, or any other claim or dispute howsoever arising between the Borrower and the Bank.

28. COSTS, EXPENSES AND ATTORNEY'S FEES. Should one or more Events of Default occur hereunder, and should an action be commenced for the foreclosure of this Mortgage, the Bank shall be entitled to recover all sums due hereunder, statutory costs, and any additional allowances provided for under the laws of the State of New York, and in addition thereto, reasonable attorneys' fees in such proceeding and in all proceedings related thereto necessary to and related to the foreclosing proceeding, and such amount shall be added to the principal balance and interest then due and shall be a lien on the Mortgaged Property prior to any right or title to, interest in or claim upon the Mortgaged Property attaching and accruing subsequent to the lien of this Mortgage, and shall be deemed to be secured by this Mortgage.

29. INTEREST ON ADVANCES. Wherever under the provisions of this Mortgage, or by law, the Bank is entitled to interest on advances made or expenses incurred, such interest shall be computed at a rate per annum which shall be the Interest Rate as defined in the Note plus five percent (5.0%).
30. ADDITIONAL ACTS AND DOCUMENTS. The Borrower will execute and procure for the Bank and cause to be done any further conveyances, instruments or acts of further assurance as the Bank shall reasonably require to perfect the security of the Bank in the Mortgaged Property intended now or hereafter to be covered by this Mortgage or otherwise for carrying out the intention of facilitating the performance of the terms of this Mortgage.
31. EFFECT OF RELEASES. The Bank, without notice, may release any part of the Mortgaged Property, or any person or entity liable for any Indebtedness secured hereby, without in any way affecting the lien hereof upon any part of the Mortgaged Property not expressly released, and may agree with any party obligated on the Indebtedness or having any interest in the Mortgaged Property to extend the time for payment of any part or all of the indebtedness secured hereby. Such agreement shall not in any way release or impair the lien hereof, but shall extend the lien hereof as against the title of all parties having any interest in the Mortgaged Property, which is subject to said lien, and no such release or agreement shall release any person or entity obligated to pay any Indebtedness secured hereby.
32. INTERVENING LIENS. Should any agreement be hereafter entered into modifying or changing the terms of this Mortgage or the Note secured hereby in any manner, the rights of the parties to such agreement shall be superior to the rights of the holder of any intervening lien.
33. APPRAISALS. Borrower shall bear the cost and expenses of any additional appraisals with respect to the Project required by the Bank during the term of the Loan but not more than once in any twelve (12) month period.
34. TERMS. It is understood and agreed that the words, "Borrower", "Borrower" and "Bank" herein shall include the respective heirs, successors and assigns of the Borrower, the Borrower and the Bank.
35. ORAL MODIFICATIONS. This Mortgage may not be changed, modified or discharged, nor may any provision hereof be waived, orally, but only by an agreement in writing and signed by the party against whom enforcement of any such change, modification, discharge or waiver is sought.
36. SUCCESSORS. All of the provisions of this Mortgage shall inure to the benefit of the Bank and of any subsequent holder of this Mortgage and shall be binding upon the Borrower and each subsequent owner of the Mortgaged Property.
37. SEVERABILITY. If any provision of this Mortgage shall, for any reason, be held or shall, in fact, be inoperative or unenforceable in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance or render any other provision herein contained inoperative or unenforceable.
38. SATISFACTION OF MORTGAGE. Upon the payment in full of the Note and all other sums payable under this Mortgage, the Bank, by acceptance of this Mortgage, agrees to execute and

SCHEDULE "A"

Record and Return to:
Jonathan C. Lapper, Esq.
Bartlett, Pontiff, Stewart & Rhodes, P.C.
One Washington Street
Glens Falls, New York 12801

Schedule A Description

AS THAT CERTAIN PLOT, PIECES OR PARCELS OF LAND with the buildings and improvements thereon erected, (hereinafter referred to collectively as the "Property"), situate, lying and being in the Town of Queensbury, County of Warren and State of New York, being part of lots 34 and 38 of the French Mountain Tract bounded and described as follows:

PARCEL 1

BEGINNING at an iron pipe set in the northerly line of New York State Route 9L in the division line between Lot 38 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses said Route 9L at a distance of 740 feet, more or less, westerly, measured along said route 9L from the center line of the Cleverdale road, running thence from the place of beginning, the following four courses and distances along the northerly bounds of New York State Route 9L, viz.: South 65 degrees 21 minutes 20 seconds West, 59.18 feet; South 71 degrees 55 minutes 20 seconds West, 554.74 feet; South 72 degrees 14 minutes 30 seconds West, 399.42 feet and South 73 degrees 19 minutes 40 seconds West, 314.37 feet; thence North 29 degrees 53 minutes 50 seconds West, and along the easterly line of lands of Robert A. Stewart, for a distance of 443.49 feet to the southerly shore of Lake George; thence in an easterly direction along said shore line, as it winds and curves, for a distance of 1920 feet, more or less; thence South 21 degrees 04 minutes 30 seconds East, and along the aforementioned division line between Lots 38 and 43 of the French Mountain Tract and along the westerly line of lands now or formerly of Ernst Kirchoff, for a distance of 458 feet, more or less, to the place of beginning.

Schedule A Description

PARCEL 2

BEGINNING at an iron pipe set in the southeasterly line of New York State Route 91 where said line is intersected by the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south, running thence from the place of beginning, North 43 degrees 10 minutes 30 seconds East, along the southeasterly bounds of New York State Route 91, for a distance of 73.99 feet; thence North 83 degrees 28 minutes East, and along the southerly line of lands now or formerly of Bell and New York Telephone Company, for a distance of 127.79 feet; thence North 6 degrees 40 minutes 30 seconds West, and along the westerly line of said lands now or formerly of New York Telephone Company, for a distance of 76.57 feet to the southerly line of New York State Route 91; thence the following eight courses and distances along the southerly line of New York State Route 91, viz.: North 56 degrees 59 minutes 30 seconds East, 95.50 feet; North 63 degrees 35 minutes East, 187.78 feet; North 67 degrees 23 minutes 30 seconds East, 192.50 feet; North 72 degrees 22 minutes 20 seconds East, 192.32 feet; North 77 degrees 21 minutes 20 seconds East, 204.21 feet; North 82 degrees 08 minutes East, 197.27 feet; North 86 degrees 10 minutes 20 seconds East, 741.74 feet and North 74 degrees 02 minutes 40 seconds East, 292.18 feet to an iron pipe; thence South 6 degrees 11 minutes 20 seconds West, and along the westerly line of lands of the State of New York, for a distance of 810.87 feet to an iron pipe set in the division line between Lot 34 of the French Mountain Tract, on the north, and Lot 33 of said tract, on the south; thence North 82 degrees 54 minutes 30 seconds West, along said division line and along the northerly line of Harry Pulver, now owned by the State of New York, for a distance of 588.79 feet to an iron pipe set in stone at the north-westerly corner of said lands formerly of Pulver; thence North 81 degrees 21 minutes 10 seconds West, along the division line between Lots 33 and 34 of the French Mountain Tract and along the northerly line of lands now or formerly of Harry Hayes, for a distance of 1535.51 feet to the place of beginning.

PARCEL 3

BEGINNING at an iron pipe set in the southerly line of New York State Route 91 and in the division line between Lot 33 of the French Mountain Tract, on the west, and Lot 43 of said tract, on the east, and which said division line crosses New York State Route 91 at a distance of 740 feet, westerly, measured along said Route 91 from the center of the Clarendale Road, running thence from the place of beginning, South 21 degrees 04 minutes 30 seconds East, along said division line, for a distance of 228.49 feet to an iron pipe; thence the following six courses and distances along lands owned by the State of New York, viz.: South 83 degrees 10 minutes 30 seconds West, 714.92 feet; North 18 degrees 41 minutes West, 112.05 feet; North 11 degrees 45 minutes West, 119.32 feet; North 12 degrees 59 minutes 50 seconds West, 258.93 feet; North 77 degrees 08 minutes 40 seconds West, 211.82 feet and North 13 degrees 04 minutes West, 16.04 feet to a point in the southerly line of New York State Route 91; thence North 71 degrees 53 minutes 20 seconds East, along said southerly line, for a distance of 547.24 feet to an angle point therein; thence North 68 degrees 12 minutes 20 seconds East for a distance of 79.17 feet to the place of beginning.

Harris Bay Yacht Club, Inc.

Balance Sheets
Exhibit "F"

December 31, 2004 and 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents (note 4)	\$ 510,206	610,412
Accounts receivable, less allowance for doubtful accounts of \$1,999 and \$2,421 at December 31, 2004 and 2003, respectively (note 2)	124,324	140,769
Inventory (note 2)	20,241	18,276
Prepaid expenses	35,690	32,723
Deferred taxes (note 3)	20,025	20,025
Total current assets	<u>710,486</u>	<u>822,205</u>
Property and equipment, at cost (note 2):		
Land and improvements	2,342,850	2,341,961
Buildings and improvements	1,646,615	1,585,455
Docks	756,407	755,882
Equipment	650,976	425,075
Work in progress	96,902	10,958
	<u>5,493,750</u>	<u>5,119,331</u>
Less accumulated depreciation	1,843,533	1,675,071
Net property and equipment	<u>3,650,217</u>	<u>3,444,260</u>
Other assets:		
Loan acquisition costs - net of accumulated amortization of \$3,812 and \$1,407 at December 31, 2004 and 2003, respectively	13,344	23,926
Deferred taxes (note 3)	80,100	100,125
Total other assets	<u>93,444</u>	<u>124,051</u>
	<u>\$4,454,147</u>	<u>4,390,516</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Current installments on long-term debt (note 2)	188,075	139,520
Accounts payable	2,034	1,537
Accrued expenses	18,956	16,569
Deposits on rentals	87,871	85,471
Deferred income	200,291	203,695
Total current liabilities	<u>497,227</u>	<u>446,792</u>
Long-term debt, less current liabilities (note 2)	650,458	680,371
Total liabilities	<u>1,147,685</u>	<u>1,127,163</u>
Commitments (notes 2 and 6)		
Members' equity:		
Membership interests	4,359,544	4,354,044
Accumulated deficit	(1,053,082)	(1,090,691)
Total members' equity	<u>3,306,462</u>	<u>3,263,353</u>
	<u>\$4,454,147</u>	<u>4,390,516</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.

Statements of Revenues and Expenses

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Membership dues		
Store and gas	\$378,000	378,000
Storage fees	233,466	199,465
Dock rentals	117,919	108,094
Commissions	66,471	63,452
Special assessment	63,929	50,926
Other	63,000	63,000
Club house fees	21,675	26,085
Rental income	18,300	17,550
Interest income and finance charges	17,400	14,400
Total revenues	<u>11,989</u>	<u>17,027</u>
	<u>992,149</u>	<u>937,999</u>
Expenses:		
Payroll		
Store and gas	218,415	223,214
Depreciation	190,487	151,884
Maintenance	168,462	124,814
Real estate taxes	102,751	93,704
Insurance	55,298	54,276
Interest	47,957	41,176
Office supplies and expenses	39,490	61,720
Payroll taxes and fringe benefits	35,776	31,948
Heat and utilities	32,228	31,229
Professional services	22,725	23,342
Amortization of loan acquisition costs	9,060	14,497
Lake George Park dock tax	2,405	28,254
Promotion	1,074	1,074
Equipment rentals	744	2,125
Total expenses	<u>623</u>	<u>617</u>
Net income before taxes	<u>927,495</u>	<u>883,874</u>
	64,654	54,125
Taxes on income (note 3):		
Current		
Deferred	21,482	21,013
Total taxes	<u>5,563</u>	<u>8,678</u>
	<u>27,045</u>	<u>29,691</u>
Net income	<u>\$ 37,609</u>	<u>24,434</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.

Balance Sheets

December 31, 2003 and 2002

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Current assets:		
Cash and cash equivalents (note 4)	\$ 610,412	644,045
Accounts receivable, less allowance for doubtful accounts of \$2,421 and \$2,492 at December 31, 2003 and 2002, respectively (note 2)	140,769	145,759
Inventory (note 2)	18,276	17,805
Prepaid expenses	32,723	24,882
Deferred taxes (note 3)	20,025	20,025
Total current assets	<u>822,205</u>	<u>852,516</u>
Property and equipment, at cost (note 2):		
Land and improvements	2,341,961	2,340,842
Buildings and improvements	1,585,455	1,584,064
Docks	766,840	766,595
Equipment	425,075	413,357
Less accumulated depreciation	5,119,331	5,104,858
Net property and equipment	<u>1,675,071</u>	<u>1,550,257</u>
Other assets:		
Loan acquisition costs - net of accumulated amortization of \$1,407 and \$5,230 at December 31, 2003 and 2002, respectively	23,926	26,847
Deferred taxes (note 3)	100,125	120,150
Total other assets	<u>124,051</u>	<u>146,997</u>
	<u>\$4,390,516</u>	<u>4,554,114</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Current installments on long-term debt (note 2)	139,520	139,700
Accounts payable	1,537	102,763
Accrued expenses	16,569	15,650
Deposits on rentals	85,471	94,174
Deferred income	203,695	198,928
Total current liabilities	<u>446,792</u>	<u>551,215</u>
Long-term debt, less current liabilities (note 2)	680,371	799,980
Total liabilities	<u>1,127,163</u>	<u>1,351,195</u>
Commitments (notes 2 and 6)		
Members' equity:		
Membership interests	4,354,044	4,318,044
Accumulated deficit	(1,090,691)	(1,115,125)
Total members' equity	<u>3,263,353</u>	<u>3,202,919</u>
	<u>\$4,390,516</u>	<u>4,554,114</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.

Statements of Revenues and Expenses

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Membership dues	\$378,000	375,750
Store and gas	199,465	191,096
Storage fees	108,094	105,774
Dock rentals	63,452	61,084
Special assessment	63,000	62,500
Commissions	50,926	70,510
Other	26,085	24,605
Club house fees	17,550	18,900
Interest income and finance charges	17,027	15,702
Rental income	14,400	14,400
Total revenues	<u>937,999</u>	<u>940,321</u>
Expenses:		
Payroll	223,214	212,322
Store and gas	151,884	150,291
Depreciation	124,814	123,706
Maintenance	93,704	104,885
Interest	61,720	77,485
Real estate taxes	54,276	51,716
Insurance	41,176	49,440
Office supplies and expenses	31,948	28,659
Payroll taxes and fringe benefits	31,229	30,847
Amortization of loan acquisition costs	28,254	4,184
Heat and utilities	23,342	21,482
Professional services	14,497	9,781
Promotion	2,125	1,988
Lake George Park dock tax	1,074	1,029
Equipment rentals	617	570
Total expenses	<u>883,874</u>	<u>868,385</u>
Net income before taxes	54,125	71,936
Taxes on income (note 3):		
Current	21,013	22,115
Deferred	8,678	5,768
Total taxes	<u>29,691</u>	<u>27,883</u>
Net income	<u>\$ 24,434</u>	<u>44,053</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.

Balance Sheets

December 31, 2002 and 2001

<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
Current assets:		
Cash and cash equivalents (note 4)	\$ 644,045	508,428
Accounts receivable, less allowance for doubtful accounts of \$2,492 and \$3,179 at December 31, 2002 and 2001, respectively		
136,424 107,952		
Inventory	17,805	21,718
Prepaid expenses	24,882	26,269
Deferred taxes (note 3)	20,025	20,025
Total current assets	<u>843,181</u>	<u>684,392</u>
Property and equipment, at cost (note 2):		
Land	2,340,842	2,330,743
Buildings and improvements	1,584,064	1,573,012
Docks	766,595	755,193
Equipment	413,357	398,984
	<u>5,104,858</u>	<u>5,057,932</u>
Less accumulated depreciation	1,550,257	1,438,969
Net property and equipment	<u>3,554,601</u>	<u>3,618,963</u>
Other assets:		
Loan acquisition costs - net of accumulated amortization of \$5,230 and \$1,046 at December 31, 2002 and 2001, respectively	26,847	31,031
Deferred taxes (note 3)	120,150	140,175
Total other assets	<u>146,997</u>	<u>171,206</u>
	<u>\$ 4,544,779</u>	<u>4,474,561</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Current installments on long-term debt (note 2)	139,700	126,260
Accounts payable	102,763	4,344
Accrued expenses	15,650	17,303
Deposits on rentals	94,174	102,538
Deferred income	189,593	193,900
Total current liabilities	<u>541,880</u>	<u>444,345</u>
Long-term debt, less current liabilities (note 2)	799,980	917,850
Total liabilities	<u>1,341,860</u>	<u>1,362,195</u>
Commitments (notes 2 and 5)		
Members' equity:		
Membership interests	4,318,044	4,271,544
Accumulated deficit	(1,115,125)	(1,159,178)
Total members' equity	<u>3,202,919</u>	<u>3,112,366</u>
	<u>\$ 4,544,779</u>	<u>4,474,561</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.

Statements of Revenues and Expenses

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenues:		
Membership dues		
Store and gas	\$375,750	375,000
Storage fees	191,096	186,900
106,483		105,774
Commissions		
Special assessment	70,510	61,065
Dock rentals	62,500	62,500
Other	61,084	62,359
Club house fees	24,605	21,242
Interest income and finance charges	18,900	20,850
Rental income	15,702	13,158
Total revenues	<u>14,400</u>	<u>14,400</u>
	<u>940,321</u>	<u>923,957</u>
Expenses:		
Payroll		
Store and gas	212,322	197,487
Depreciation	150,291	133,840
Maintenance	123,706	119,320
Interest	104,885	99,679
Real estate taxes	77,485	98,905
Insurance	51,716	49,780
Payroll taxes and fringe benefits	49,440	41,167
Office supplies and expenses	30,847	23,484
Heat and utilities	28,659	26,844
Professional services	21,482	20,690
Amortization of loan acquisition costs	9,781	8,488
Promotion	4,184	21,855
Lake George Park dock tax	1,988	5,162
Equipment rentals	1,029	1,029
Total expenses	<u>570</u>	<u>510</u>
Net income before taxes	<u>868,385</u>	<u>848,240</u>
	71,936	75,717
Taxes on income (note 3):		
Current		
Deferred	22,115	21,260
Total taxes	<u>5,768</u>	<u>4,655</u>
	<u>27,883</u>	<u>25,915</u>
Net income	<u>\$ 44,053</u>	<u>49,802</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.

Balance Sheets

December 31, 2002 and 2001

ASSETS

Current assets:

	<u>2002</u>	<u>2001</u>
Cash and cash equivalents (note 4)	\$ 644,045	508,428
Accounts receivable, less allowance for doubtful accounts of \$2,492 and \$3,179 at December 31, 2002 and 2001, respectively		
136,424 107,952		
Inventory	17,805	21,718
Prepaid expenses	24,882	26,269
Deferred taxes (note 3)	20,025	20,025
Total current assets	<u>843,181</u>	<u>684,392</u>

Property and equipment, at cost (note 2):

Land	2,340,842	2,330,743
Buildings and improvements	1,584,064	1,573,012
Docks	766,595	755,193
Equipment	413,357	398,984
Less accumulated depreciation	<u>5,104,858</u>	<u>5,057,932</u>
Net property and equipment	1,550,257	1,438,969
	<u>3,554,601</u>	<u>3,618,963</u>

Other assets:

Loan acquisition costs - net of accumulated amortization of \$5,230 and \$1,046 at December 31, 2002 and 2001, respectively	26,847	31,031
Deferred taxes (note 3)	120,150	140,175
Total other assets	<u>146,997</u>	<u>171,206</u>
	<u>\$ 4,544,779</u>	<u>4,474,561</u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:

Current installments on long-term debt (note 2)	139,700	126,260
Accounts payable	102,763	4,344
Accrued expenses	15,650	17,303
Deposits on rentals	94,174	102,538
Deferred income	189,593	193,900
Total current liabilities	<u>541,880</u>	<u>444,345</u>
Long-term debt, less current liabilities (note 2)	799,980	917,850
Total liabilities	<u>1,341,860</u>	<u>1,362,195</u>
Commitments (notes 2 and 5)		

Members' equity:

Membership interests	4,318,044	4,271,544
Accumulated deficit	(1,115,125)	(1,159,178)
Total members' equity	<u>3,202,919</u>	<u>3,112,366</u>
	<u>\$ 4,544,779</u>	<u>4,474,561</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.
 Statements of Revenues and Expenses
 Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenues:		
Membership dues	\$375,750	375,000
Store and gas	191,096	186,900
Storage fees		105,774
106,483		
Commissions	70,510	61,065
Special assessment	62,500	62,500
Dock rentals	61,084	62,359
Other	24,605	21,242
Club house fees	18,900	20,850
Interest income and finance charges	15,702	13,158
Rental income	14,400	14,400
Total revenues	<u>940,321</u>	<u>923,957</u>
Expenses:		
Payroll	212,322	197,487
Store and gas	150,291	133,840
Depreciation	123,706	119,320
Maintenance	104,885	99,679
Interest	77,485	98,905
Real estate taxes	51,716	49,780
Insurance	49,440	41,167
Payroll taxes and fringe benefits	30,847	23,484
Office supplies and expenses	28,659	26,844
Heat and utilities	21,482	20,690
Professional services	9,781	8,488
Amortization of loan acquisition costs	4,184	21,855
Promotion	1,988	5,162
Lake George Park dock tax	1,029	1,029
Equipment rentals	570	510
Total expenses	<u>868,385</u>	<u>848,240</u>
Net income before taxes	71,936	75,717
Taxes on income (note 3):		
Current	22,115	21,260
Deferred	5,768	4,655
Total taxes	<u>27,883</u>	<u>25,915</u>
Net income	<u>\$ 44,053</u>	<u>49,802</u>

See accompanying notes to financial statements.

Harris Bay Yacht Club, Inc.

Balance Sheets

December 31, 2000 and 1999

ASSETS

Current assets:

	<u>2000</u>	<u>1999</u>
Cash and cash equivalents (note 4)	\$ 481,066	469,690
Accounts receivable, less allowance for doubtful accounts of \$5,501 and \$5,364 at December 31, 2000 and 1999, respectively	123,269	88,348
Member notes receivable	-	11,015
Interest receivable	-	480
Inventory	20,384	15,313
Prepaid expenses	19,955	21,251
Deferred taxes (note 3)	20,025	-
Total current assets	<u>664,699</u>	<u>606,097</u>

Property and equipment, at cost (note 2):

Land	2,319,697	2,316,242
Buildings and improvements	1,563,554	1,546,016
Docks	754,522	749,805
Equipment	392,969	372,392
Less accumulated depreciation	5,030,742	4,984,462
Net property and equipment	<u>1,319,649</u>	<u>1,267,152</u>
	<u>3,711,093</u>	<u>3,717,310</u>

Other assets:

Long-term portion of member notes receivable		2,695
Loan acquisition costs - net of accumulated amortization of \$16,647 and \$14,150 at December 31, 2000 and 1999, respectively	20,808	23,305
Deferred taxes (note 3)	160,200	-
Total other assets	<u>181,008</u>	<u>26,000</u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:

Current installments on long-term debt (note 2)	107,867	88,141
Accounts payable	27,312	67,138
Accrued expenses	21,711	19,598
Deposits on rentals	101,592	114,032
Deferred income	191,657	183,352
Total current liabilities	450,139	472,261
Long-term debt, less current liabilities (note 2)	1,044,097	1,098,932
Total liabilities	<u>1,494,236</u>	<u>1,571,193</u>

Commitments and contingent liabilities (notes 2 and 5)

Members' equity:

Membership interests	4,271,544	4,266,044
Accumulated deficit	(1,208,980)	(1,487,830)
Total members' equity	<u>3,062,564</u>	<u>2,778,214</u>
	<u>\$ 4,556,800</u>	<u>4,349,407</u>

See accompanying notes to financial statements.

LOCATION: 5186563639

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Harris Bay Yacht Club, Inc.

Statements of Revenues and Expenses

Years ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Revenues:		
Membership dues	\$ 375,000	375,000
Store and gas	189,474	200,805
Storage fees	99,592	87,569
Commissions	70,606	60,008
Special assessment	62,500	62,500
Dock rentals	59,435	54,965
Other	28,540	31,814
Club house fees	23,100	25,200
Interest income and finance charges	20,126	12,976
Rental income	14,400	14,560
Interest on member loans	482	3,050
Total revenues	<u>943,255</u>	<u>928,447</u>
Expenses:		
Payroll	192,213	190,487
Store and gas	142,703	131,401
Interest	115,962	97,655
Depreciation	110,507	100,386
Maintenance	96,639	84,973
Real estate taxes	48,250	47,104
Insurance	40,696	37,217
Office supplies and expenses	27,463	32,498
Payroll taxes and fringe benefits	22,350	26,611
Heat and utilities	20,563	21,364
Professional services	8,616	7,959
Promotion	8,199	8,005
Amortization of loan acquisition costs	2,497	2,497
Lake George Park dock tax	1,029	1,029
Equipment rentals	636	545
Total expenses	<u>838,323</u>	<u>789,731</u>
Net income before taxes	104,932	138,716
Taxes on income (note 3):		
Current	26,332	5,922
Deferred	(200,250)	-
Total taxes	<u>(173,918)</u>	<u>5,922</u>
Net income	<u>\$ 278,850</u>	<u>132,794</u>

Harris Bay Yacht Club, Inc.

Balance Sheets

December 31, 1998 and 1997

ASSETS

Current assets:

	<u>1998</u>	<u>1997</u>
Cash and cash equivalents (note 5)	\$ 368,889	253,215
Accounts receivable, less allowance for doubtful accounts of \$5,484 and \$20,930 at December 31, 1998 and 1997, respectively	87,878	117,257
Member notes receivable (notes 2 and 3)	24,445	20,864
Interest receivable	1,372	2,721
Inventory	19,384	13,828
Prepaid expenses	<u>20,754</u>	<u>16,751</u>
Total current assets	<u>522,722</u>	<u>424,636</u>

Property and equipment, at cost (note 3):

Land	2,316,242	2,310,285
Buildings and improvements	1,510,955	1,454,798
Docks	748,113	746,324
Equipment	269,840	254,687
Construction in progress	-	<u>10,030</u>
Less accumulated depreciation	<u>4,845,150</u>	<u>4,776,124</u>
Net property and equipment	<u>1,165,766</u>	<u>1,069,169</u>

Other assets:

Long-term portion of member notes receivable (notes 2 and 3)	14,745	56,887
Loan acquisition costs - net of accumulated amortization of \$11,653 and \$9,156 at December 31, 1998 and 1997, respectively	<u>25,802</u>	<u>28,299</u>
Total other assets	<u>40,547</u>	<u>85,186</u>
	<u>\$ 4,241,653</u>	<u>4,216,777</u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:

Current installments on long-term debt (note 3)	114,314	103,765
Accounts payable	8,247	6,018
Accrued expenses	23,400	20,126
Deposits on rentals	117,377	108,169
Deferred income	<u>170,886</u>	<u>173,673</u>
Total current liabilities	434,226	411,751
Long-term debt, less current liabilities (note 3)	<u>1,170,007</u>	<u>1,287,067</u>
Total liabilities	<u>1,604,233</u>	<u>1,698,818</u>

Commitments and contingent liabilities (notes 3 and 6)

Members' equity:

Membership interests	4,258,044	4,270,006
Accumulated deficit	<u>(1,620,624)</u>	<u>(1,752,047)</u>
Total members' equity	<u>2,637,420</u>	<u>2,517,959</u>
	<u>\$ 4,241,653</u>	<u>4,216,777</u>

See accompanying notes to financial statements.
LOCATION: 5186563639

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Harris Bay Yacht Club, Inc.
 Statements of Revenues and Expenses
 Years ended December 31, 1998 and 1997

	1998	1997
Revenues:		
Membership dues	\$375,750	376,500
Store and gas	180,622	176,342
Storage fees	84,704	80,668
Special assessment	62,750	62,750
Dock rentals	43,858	42,758
Commissions	40,109	46,001
Other	29,454	19,701
Club house fees	25,800	24,300
Interest income and finance charges	13,581	12,193
Rental income	12,200	8,400
Interest on member loans	<u>7,261</u>	<u>14,082</u>
Total revenues	<u>876,089</u>	<u>863,695</u>
Expenses:		
Payroll	165,352	154,152
Store and gas	117,321	130,058
Interest	108,120	117,539
Depreciation	97,597	95,277
Maintenance	81,940	79,758
Real estate taxes	43,958	42,376
Insurance	37,345	30,977
Office supplies and expenses	30,451	25,303
Payroll taxes and fringe benefits	20,858	20,989
Heat and utilities	17,691	20,592
Professional services	6,448	12,032
Advertising and promotion	5,778	6,900
Bad debts	3,000	10,000
Amortization of loan acquisition costs	2,497	2,497
Lake George Park dock tax	980	1,810
Equipment rentals	<u>456</u>	<u>624</u>
Total expenses	<u>739,792</u>	<u>750,884</u>
Net income before taxes	136,297	112,811
Taxes on income (note 4)	<u>4,874</u>	<u>5,300</u>
Net income	<u>\$131,423</u>	<u>107,511</u>

See accompanying notes to financial statements.
 LOCATION: 5186563639

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Harris Bay Yacht Club, Inc.

Statements of Revenues and Expenses

Years ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Revenues:		
Membership dues	\$376,500	376,500
Store and gas	152,201	151,195
Special assessment	62,750	62,750
Storage fees	69,943	69,253
Dock rentals	39,601	37,639
Interest on member loans	20,681	28,842
Other	54,140	36,859
Commissions	<u>28,548</u>	<u>25,602</u>
Total revenues	<u>804,364</u>	<u>788,640</u>
Expenses:		
Management fee	160,791	170,599
Interest	125,912	134,163
Store and gas	115,954	125,400
Depreciation	85,238	86,141
Maintenance	67,829	77,488
Insurance	33,501	45,019
Real estate taxes	40,901	40,042
Office supplies and expenses	22,995	21,219
Professional services	19,548	23,849
Payroll	31,465	25,530
Heat and utilities	21,710	23,615
Amortization of loan acquisition costs	2,497	2,497
Payroll taxes	3,745	2,437
Advertising	359	2,508
Bad debts	-	2,506
Lake George Park dock tax	914	914
Equipment rentals	599	936
Total expenses	<u>733,958</u>	<u>784,863</u>
Net income before taxes	70,406	3,777
Taxes on income (note 4)	<u>4,979</u>	<u>5,808</u>
Net income (loss)	<u>\$ 65,427</u>	<u>(2,031)</u>

See accompanying notes to financial statements.

LOCATION:5186563639

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HARRIS BAY YACHT CLUB, INC.

BALANCE SHEETS

- ASSETS -

	<u>DECEMBER 31,</u>	
	<u>1994</u>	<u>1993</u>
		<u>RESTATED</u>
CURRENT ASSETS:		
Cash (Note 1)	\$ 48,605	\$ 126,129
Accounts receivable (Note 1)	80,665	71,949
Interest receivable	8,355	12,196
Notes receivable - members (Notes 2 and 3)	34,252	40,530
Inventory	19,616	14,288
Prepaid expenses	17,331	17,111
Total current assets	<u>\$ 208,824</u>	<u>\$ 282,203</u>
PROPERTY AND EQUIPMENT (NOTES 1 AND 3):		
Land		
Buildings and improvements	\$ 2,308,894	\$ 2,308,894
Construction in progress	1,362,731	1,140,744
Docks	--	34,741
Equipment	743,656	743,656
Total	<u>160,605</u>	<u>148,452</u>
Less: accumulated depreciation	\$ 4,575,886	\$ 4,376,487
Net property and equipment	<u>802,513</u>	<u>721,194</u>
	<u>\$ 3,773,373</u>	<u>\$ 3,655,293</u>
OTHER ASSETS:		
Notes receivable - members (Notes 2 and 3)	\$ 204,472	\$ 314,988
Loan acquisition costs - net of accumulated amortization of \$1,665 and \$56,500 as of December 31, 1994 and 1993, respectively	35,790	11,070
Total other assets	<u>\$ 240,262</u>	<u>\$ 326,058</u>
TOTAL ASSETS	<u>\$ 4,222,459</u>	<u>\$ 4,263,554</u>

- LIABILITIES AND MEMBERS' EQUITY -

CURRENT LIABILITIES:		
Current installments of long-term notes payable (Note 3)	\$ 134,726	\$ 61,610
Accounts payable	37,569	15,770
Deposits on rentals	41,062	39,374
Accrued expenses and other liabilities	15,552	16,014
Deferred revenue	41,487	111,262
Total current liabilities	<u>\$ 270,396</u>	<u>\$ 244,030</u>
LONG-TERM NOTES PAYABLE (NOTE 3)	<u>1,616,854</u>	<u>1,650,784</u>
Total liabilities	<u>\$ 1,887,250</u>	<u>\$ 1,894,814</u>
MEMBERS' EQUITY:		
Membership interests	\$ 4,260,506	\$ 4,251,506
Accumulated deficit	(1,925,297)	(1,882,766)
Total members' equity	<u>\$ 2,335,209</u>	<u>\$ 2,368,740</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 4,222,459</u>	<u>\$ 4,263,554</u>

See notes to financial statements which are an integral part hereof.

Gregory H. Lurie
Certified Public Accountants

HARRIS BAY YACHT CLUB, INC.

STATEMENTS OF INCOME

	YEAR ENDED	
	DECEMBER 31,	
	1994	1993 RESTATED
REVENUE:		
Membership dues	\$ 376,500	\$ 375,000
Store and gas	133,162	155,799
Special assessment	62,750	62,750
Storage fees	62,229	46,200
Dock rentals	35,752	6,523
Interest on member loans	33,411	56,667
Other	19,676	30,766
Commissions	16,633	19,310
Total	<u>\$ 740,113</u>	<u>\$ 753,015</u>
OPERATING EXPENSES:		
Management fee (Note 5)	\$ 166,623	\$ 160,108
Interest	146,724	168,801
Store and gas	103,206	125,578
Depreciation	81,319	79,848
Maintenance	70,394	62,761
Insurance	44,217	46,132
Real estate taxes	42,224	38,007
Office supplies and expenses	27,158	16,108
Professional services	25,857	17,435
Payroll	25,209	20,139
Heat and utilities	20,395	17,634
Amortization of loan acquisition costs (Note 1)	12,735	2,472
Payroll taxes	5,035	2,049
New York State franchise tax	4,373	7,692
Advertising	3,032	3,231
Bad debts	2,500	6,941
Lake George Park dock tax	1,006	914
Equipment rentals	637	657
Total	<u>\$ 782,644</u>	<u>\$ 776,507</u>
NET LOSS	<u>\$ 42,531</u>	<u>\$ 23,492</u>

See notes to financial statements which are an integral part hereof.

Gregory H. Lurie
Certified Public Accountants

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LOCATION:5186563639

RX TIME 06/29 '05 14:34



Dear Members:

I apologize for the delay in reporting the results of the membership vote to you. There were discussions among the Board which precluded an earlier report.

On August 16, 2006 Director At Large, David Pedrotti and I counted the ballots cast by the membership on two proposed amendments to HBYC's By-laws. Neither was approved. Article XVIII of the By-laws provides that a "...change must be approved by the vote of 66-2/3% of all the memberships, present in person or by proxy." Amendment 5 to the Prospectus allowed mail balloting; but did not change the percent of votes required to amend the By-laws.

On Proposed Article VIII Section D pertaining to the lease of memberships 154 votes were cast, 84 in favor and 70 opposed. The vote required to approve the amendment was 103.

On Proposed Article XI Section E pertaining to qualifications to run for a position on the Board of Directors 155 votes were cast, 100 in favor and 55 opposed. The vote required to approve the amendment was 104.

Unfortunately, due to my error Right to Rent Agreements were sent to the membership containing provisions that would have applied if the amendment on that issue had been approved rather than disapproved. The requirements for leasing memberships have not changed except for an increase in the Club House fee to \$250.00 approved by the Board. For those leasing on their own, please submit your rental contracts as soon as possible, ideally by September 15, since it will be helpful to know what boats are going where for operational purposes.

As a reminder Article VIII Section C of the By-laws provides "No membership can be sublet or licensed. No member can lease or sublease or give a license to the slip assigned to his membership." In other words the lease of memberships must be to the end user, not to someone who, in turn will sublease it to someone else or allow someone else to use it.

Brian J. O'Donnell,

Harris Bay Yacht Club Investment Objectives and Policies

The Investment portfolio of the Harris Bay Yacht Club (HBYC) is a portion of the overall assets of HBYC. It constitutes a general surplus investment account assisting in the current and future financial support of the Club. These funds are not a part of the general operating fund. Periodically, the Board of Directors may authorize allocations from the portfolio to the operating fund and also from time to time, the Board of Directors may authorize a portion of the funds be used for capital improvement. The Board recognizes that asset allocation is a time tested way to manage risk and volatility while improving the possibility of more consistent returns.

Investment Objectives

The overall investment objective, as monitored by the HBYC Board and its Finance Committee is currently described as conservative and income oriented. The investment and asset committee will ensure the below listed asset allocation ranges are generally in compliance. The Board reserves the right to change risk parameters and asset allocation at any time including adding other asset classes.

	<u>Minimum</u>	<u>Policy</u>	<u>Maximum</u>
Bonds or bond equivalents:	0%	90%	100%
Cash or cash equivalents:	0%	10%	100%

From time to time the Board may employ the services of recognized management firms and/or financial institutions to select suitable securities for the surplus account. To ensure compliance with our guidelines a semi-annual review will be conducted by the Finance Committee and returns compared against recognized benchmarks.

Investment objectives and capital needs for HBYC will guide future investment policy and changes. Currently, portfolio emphasis is given to maintaining principal and controlling financial risk.

Suitable Holdings

The portfolio may hold the securities listed on the next page. Individual securities must have a maturity of less than five (5) years.

U.S. Government Notes & Bonds

U.S. Federal Agency Notes & Bonds (FFCB & FHLB)

Fixed Income Mutual Funds

Certificates of Deposit (C.D.'s)

Government Money Markets

AAA Rated Commercial Paper

Municipal Bonds with AAA Underlying Rating

(GIC) Guaranteed Income or Insurance Contracts with A+ Rated Companies

RAN's TAN's & BAN's

Ongoing Communication

Ongoing communications between the HBYC Board and investment companies we are dealing with via telephone, in person or written correspondence will be required as deemed necessary by the Finance Committee.

Personnel Changes

The Board requires that newly elected or appointed HBYC Directors communicate immediately and be provided with an Investment Policy Statement and overview of the funds, upon joining the Board at the first official meeting they attend.

This statement of Investment Policy is adopted by the Board of Directors of Harris Bay Yacht Club this _____ day of the month of _____, 2008.

Chairman
HBYC Board of Directors
Dated: _____

Secretary
HBYC Board of Directors
Dated: _____

Reviewed and agreed to by: _____ Firm Name: _____