
OFFERING PLAN
FOR
HARRIS BAY YACHT CLUB, INC.

Yardarm Marina
Route 9L
P.O. Box 139
Cleverdale, New York 12820

AMOUNT OF OFFERING: \$5,085,000
NUMBER OF MEMBERSHIPS: 266

SPONSOR
Yardarm Development Associates
Yardarm Marina
Route 9L
P.O. Box 139
Cleverdale, New York 12820

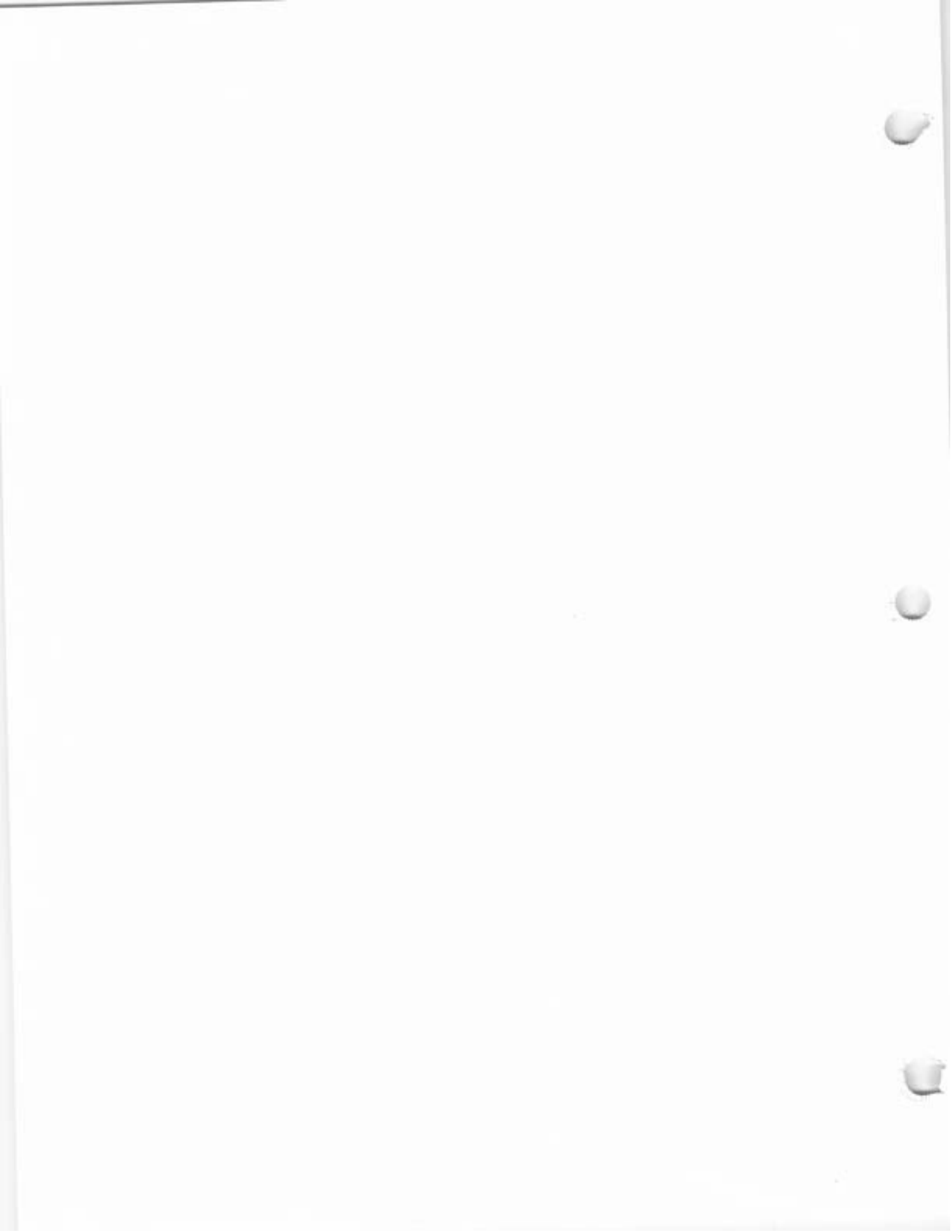
SELLING AGENT
Yardarm Marina, Inc.
Yardarm Marina
Route 9L
P.O. Box 139
Cleverdale, New York 12820

DATE OF THE OFFERING PLAN: AUGUST 2, 1983. THIS OFFERING PLAN MAY NOT
BE USED AFTER AUGUST 1, 1984, UNLESS EXTENDED OR AMENDED.

SEE PAGE iii FOR SPECIAL RISKS TO PURCHASERS.

THIS OFFERING PLAN IS THE ENTIRE OFFER TO SELL MEMBERSHIPS IN THE
CLUB. NEW YORK LAW REQUIRES THE SPONSOR TO DISCLOSE ALL MATERIAL
INFORMATION IN THIS PLAN AND TO FILE THIS PLAN WITH THE NEW YORK
STATE DEPARTMENT OF LAW PRIOR TO SELLING OR OFFERING TO SELL ANY
MEMBERSHIP. FILING WITH THE DEPARTMENT OF LAW DOES NOT MEAN THAT
THE DEPARTMENT OR ANY OTHER GOVERNMENT AGENCY HAS APPROVED
THIS OFFERING.

"THIS PLAN HAS BEEN AMENDED.
SEE INSIDE COVER."



YARDARM MARINA
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SPECIAL RISKS

A. THIS OFFERING MAY BE DECLARED EFFECTIVE UPON THE ACCEPTANCE OF SUBSCRIPTION AGREEMENTS FOR 145 OF THE 266 MEMBERSHIPS IN THE CLUB. THE UNSOLD MEMBERSHIPS WILL BE OFFERED FOR LEASE. IN THE UNLIKELY EVENT THE AVAILABLE RENTALS ARE INADEQUATE, THE CLUB MAY REQUIRE SPONSOR TO FULFILL ITS OBLIGATION TO GUARANTEE THE PAYMENT OF ASSESSMENTS WITH RESPECT TO UNSOLD MEMBERSHIPS. IF SPONSOR FAILS TO FULFILL ITS GUARANTEE IT MAY BE NECESSARY TO INCREASE THE PROJECTED ASSESSMENTS PAYABLE BY THE MEMBERS. HOWEVER, NO BOND OR OTHER SECURITY WILL BE FURNISHED TO ASSURE PERFORMANCE OF SUCH OBLIGATION. SEE PAGE 48 FOR DETAILS.

B. THE MEMBERSHIPS ARE DESIGNED TO AFFORD THE MEMBERS WITH THE RIGHT TO USE THE MARINA PROPERTY. THE MEMBERSHIPS ARE NOT PRESENTED AS INVESTMENTS.

C. THERE IS PRESENTLY NO ESTABLISHED MARKET FOR THE RESALE OF THE MEMBERSHIPS. A MEMBER MAY NOT BE ABLE TO RECOVER ALL OR ANY PART OF THE SALES PRICE THROUGH THE RESALE OF HIS MEMBERSHIP. NEITHER THE CLUB NOR ANYONE ELSE WILL BE OBLIGATED TO PURCHASE A MEMBERSHIP IF A MEMBER IS OTHERWISE UNABLE TO RESELL HIS MEMBERSHIP.

D. THE MORTGAGE THAT THE CLUB WILL GIVE TO THE SPONSOR ON THE CLOSING DATE WILL PROVIDE FOR THE PAYMENT OF INTEREST ONLY AT 8% PER ANNUM FOR THE FIRST YEAR AND FOR THE PAYMENT OF PRINCIPAL AND INTEREST AT 8% PER ANNUM FOR THE SECOND YEAR. THEREAFTER THE MORTGAGE WILL PROVIDE FOR THE PAYMENT OF PRINCIPAL AND INTEREST AT THE RATE OF 12% PER ANNUM. QUARTERLY PAYMENTS ON THE MORTGAGE WILL EACH BE IN THE AMOUNT OF \$95,200. DURING THE FIRST YEAR, \$137,593. DURING THE SECOND YEAR AND \$163,299. THEREAFTER FOR THE REMAINDER OF ITS 7 YEAR TERM. SEE PAGE 50 FOR DETAILS.

E. TITLE TO THE MARINA PROPERTY WILL BE CONVEYED TO THE CLUB SUBJECT TO A MORTGAGE IN THE PRINCIPAL AMOUNT OF \$4,760,000 OR LESS. THE TERM OF THE MORTGAGE WILL EXPIRE 7 YEARS FROM THE CLOSING DATE, AT WHICH TIME THE REDUCED PRINCIPAL BALANCE, WHICH IS NOT EXPECTED TO EXCEED \$3,329,450., PLUS ALL ACCRUED INTEREST WILL BE DUE AND PAYABLE. IF THE CLUB IS UNABLE TO REFINANCE, OR EXTEND THE MORTGAGE LOAN, OR OBTAIN AN INTERIM LOAN, OR OTHER FUNDS, IT WOULD BE NECESSARY TO LEVY A SPECIAL ASSESSMENT AGAINST EACH MEMBER AND MEMBERSHIP IN THE AMOUNT OF \$12,516.73, BASED ON THE SALE OF ALL 266 MEMBERSHIPS TO PAY THE SUM THEN DUE. SEE PAGE 51 FOR DETAILS.

F. THE MORTGAGE PROVIDES FOR TWO ADDITIONAL PAYMENTS OF PRINCIPAL, EACH IN THE AMOUNT OF \$150,000. UPON THE EARLIER OF (1) CLOSING OF 208 AND 266 MEMBERSHIPS, OR (2) RESPECTIVELY TWO AND THREE YEARS FROM THE CLOSING DATE. IF THERE ARE INSUFFICIENT FUNDS, IT WOULD BE NECESSARY TO LEVY A SPECIAL ASSESSMENT AGAINST EACH MEMBER AND MEMBERSHIP TO PAY THE PRINCIPAL SUM DUE ON EACH OCCASION, EACH IN THE AMOUNT OF \$1,034.48 BASED ON 145 MEMBERSHIPS.

G. THE PLAN DOES NOT PROVIDE FOR THE CREATION OF ANY WORKING CAPITAL OR RESERVE FUND. AS A RESULT, IF THERE ARE ANY OUT OF THE ORDINARY REPAIRS OR EXPENSES SUCH AS ROOF OR DOCK REPLACEMENT, IT MAY BE NECESSARY TO INCREASE THE ASSESSMENTS OR LEVY A SPECIAL ASSESSMENT TO COVER THE COST.

H. THE PLAN DOES NOT PROVIDE FOR THE SALE OR TRANSFER OF MOTOR VEHICLES AND OTHER EQUIPMENT PRESENTLY USED IN CONNECTION WITH THE OPERATION OF THE MARINA PROPERTY. SUCH EXISTING EQUIPMENT WILL BE FURNISHED TO THE CLUB PURSUANT TO THE INITIAL MANAGEMENT AGREEMENT. THE CLUB WILL BE OBLIGATED TO PAY THE COST OF REPAIRING OR REPLACING SUCH VEHICLES AND EQUIPMENT DURING THE TERM OF THE MANAGEMENT AGREEMENT. SEE PAGE 71 FOR DETAILS.

I. UPON THE EXPIRATION OF THE INITIAL MANAGEMENT AGREEMENT THE CLUB MAY BE ABLE TO NEGOTIATE AN EXTENSION OF THE AGREEMENT OR ENTER INTO A NEW AGREEMENT WITH ANOTHER MANAGEMENT FIRM. ALTHOUGH SPONSOR ANTICIPATES THAT ANOTHER FIRM WILL BE AMENABLE AND QUALIFIED TO PERFORM MANAGEMENT SERVICES FOR THE MARINA, NO ASSURANCE CAN BE PROVIDED. IN ANY EVENT, THE CLUB IS EXPECTED TO BEAR THE EXPENSE OF REPLACING THE MOTOR VEHICLES AND EQUIPMENT PROVIDED UNDER THE INITIAL MANAGEMENT AGREEMENT BECAUSE OF WEAR AND TEAR, CHANGE OF MANAGEMENT FIRMS OR SELF-MANAGEMENT.

J. THE MEMBERSHIPS ARE PRESENTED FOR SALE FOR CASH. IF A PURCHASER INTENDS TO PAY ANY PORTION OF THE SALES PRICE WITH A LOAN FROM THE CLUB, HE MUST SUBMIT A FINANCING CONTINGENCY RIDER WITH HIS SUBSCRIPTION AGREEMENT. IF THE CLUB DOES NOT AGREE TO PROVIDE THE LOAN WITHIN 60 DAYS, THE PURCHASER MUST ELECT TO CANCEL HIS SUBSCRIPTION AGREEMENT BY WRITTEN NOTICE. IF PURCHASER FAILS TO CANCEL, THE BALANCE OF THE SALES PRICE WILL BE DUE REGARDLESS OF THE AVAILABILITY OF FINANCING. SEE PAGES 42, 43 AND 45 FOR DETAILS.

K. IF A MEMBER IS DEPRIVED OF THE RIGHT TO USE THE SLIP ASSIGNED TO HIS MEMBERSHIP BECAUSE OF REPAIR, REPLACEMENT, CASUALTY OR GOVERNMENTAL TAKING, NO COMPENSATION OR DAMAGES WILL BE PAID UNLESS THE MEMBER IS DEPRIVED OF THE RIGHT TO USE A SLIP FOR TWO CONSECUTIVE YEARS. IN SUCH EVENT THE BY-LAWS LIMIT THE AMOUNT OF COMPENSATION TO THE FORMER FAIR MARKET VALUE OF HIS MEMBERSHIP OR THE ALLOCABLE SHARE OF THE AWARD FOR THE TAKING, WHICHEVER IS APPLICABLE. SEE PAGE 55 FOR DETAILS.

L. THE RIGHT OF A MEMBER TO USE THE SLIP ASSIGNED TO HIS MEMBERSHIP IS SUBJECT TO THE PRE-EXISTING RIGHT OF ANY OTHER PERSON TO THE EXCLUSIVE USE OF THE SLIP UNDER ANY BOATOWNER'S AGREEMENT ALREADY IN EFFECT. ACCORDINGLY, IF THERE IS A BOATOWNER'S AGREEMENT IN EFFECT, THE MEMBER WILL NOT BE ENTITLED TO USE THE SLIP DURING THE SEASON COVERED BY THE AGREEMENT. IF THE SLIP IS THE SUBJECT OF SUCH A BOATOWNER'S AGREEMENT, THERE WILL BE AN APPORTIONMENT OF THE PAYMENTS DUE UNDER THE AGREEMENT. SEE PAGES 13 AND 75 FOR DETAILS.

O F F E R I N G P L A N

HARRIS BAY YACHT CLUB, INC.

PART I



INTRODUCTION

Yardarm Development Associates, a New York limited partnership (the "Sponsor") is the owner of an existing marina and related facilities known as the Yardarm Marina (the "Marina"). Sponsor acquired title to the Marina by deeds dated and delivered November 30, 1981.

The Marina is located on Harris Bay on the shore of Lake George and on other lands in the Towns of Queensbury and Fort Ann, in the Counties of Warren and Washington, in the State of New York. The Marina is situated within the Adirondack Park, an area in excess of 6,000,000* acres, which is subject to a comprehensive land use program administered by the Adirondack Park Agency. The Marina is 6 miles east of the Village of Lake George. The Marina includes 48.35 acres, situated primarily on the northerly and southerly sides of State Route 9L in the Town of Queensbury. The Marina includes: (a) 271 slips, and a gas dock; (b) a main office building; (c) storage buildings and other structures; and (d) a gravel parking lot (a detailed description of the Marina property is set forth in Part II of the Offering Plan (the "Plan")).

In the event the Plan is declared effective, the Sponsor will convey fee title to the Marina property to Harris Bay Yacht Club, Inc., a New York not-for-profit corporation (the "Club"). The members of the Club will not own any portion of the Marina property. No portion of the Marina property will be dedicated to any local government.

The Club is offering 266 memberships for sale. Each membership will be assigned the right to use one of the 271 slips during each season and the right to outdoor storage of a boat during each off-season. No additional slips have been, or will be built in connection with related plans or sections or phases of the Marina. There is no numerical limit on the number of people permitted to use the Marina property.

The Club will be obligated to maintain, repair and obtain insurance coverage for the Marina property. The Club will levy and collect assessments from the members to meet its expenses and such reserves as the Board of Directors of the Club (the "Board") may deem proper. All members will be obligated to pay assessments.

The Sponsor will not elect any member of the Board after the Marina property is conveyed to the Club. The Sponsor will not ordinarily have any financial obligation for the payment of assessments. Assessments will be payable by members. To the extent there are unsold memberships, the Club will offer for

* All references to size, acreage and distance are approximate.

lease the unsold memberships. If the projected assessments and the rentals are insufficient to meet the expenses of the Club, it may be necessary to increase the assessments or levy a special assessment to cover any deficit. Sponsor will guarantee the assessments due on unsold memberships as described at page 48.

Each member should obtain adequate casualty insurance coverage for his boat and other personal property and must obtain adequate liability insurance coverage for any accidents that may occur in or about his boat. Such insurance coverage will be a personal expense. Each member will be required to pay quarterly installments of the assessments in advance, the first of which will be due upon acquisition of his membership (the "Closing").

The members may resell or lease their memberships but only with the prior approval of the Club, as described at page 56. The approval of the Club may be arbitrarily withheld. The original members may be able to finance the purchase of their memberships as described beginning at page 44. Each member and his use of the Marina property is subject to the provisions of the certificate of incorporation, by-laws and rules and regulations of the Club. (the "By-Laws" and "Rules and Regulations"). In the event a member resells his membership, the purchaser and his use of the Marina property will also be subject to the provisions of such instruments.

The prices at which the memberships are initially presented for sale are set forth on the Schedule beginning at page 6. The sales price paid for a membership is neither a capital contribution within the meaning of Section 502 of the Not-For-Profit Corporation Law, nor an initiation fee within the meaning of Section 507 of the Not-For-Profit Corporation Law. Accordingly, the Club will not be entitled to payment of any consideration other than expenses, in connection with the subsequent sale, assignment or other transfer of a membership by a purchaser. Further, the Club will not be obligated to distribute payments in the amount of the sales prices to members upon dissolution. The prices were set by the Club, at the behest of Sponsor alone, and are not subject to review or approval by the Department of Law of the State of New York (the "Department of Law") or any other government agency. There are no restrictions on who may purchase a membership, except that no offer to purchase will be accepted from any person under 18 years of age, nor from any person other than a natural person.

Police protection for the entire Marina property is provided by the State Police. Police protection for the portion of the Marina property situated in the Town of Queensbury is also provided by the Warren County Sheriff's Department. Police protection for the portion of the Marina property situated in the Town of Fort Ann is also provided by the Washington County Sheriff's Department. Fire protection for the portion of the Marina property situated in the Town of Queensbury is furnished by the

North Queensbury Volunteer Fire Department. Fire protection for the portion of the Marina property situated in the Town of Fort Ann is furnished by the Pilot Knob Volunteer Fire Department. In both cases, fire protection is supplemented by a mutual network which includes a number of volunteer and professional fire departments. Route 9L is maintained by the State Department of Transportation. Sewage, water, sanitation, accessway and snow removal services will be furnished by the Club and maintained, as described in footnote 13 at page 20.

Shopping is available in the City of Glens Falls and the Town of Queensbury, both of which provide extensive facilities, including several shopping malls located 10 miles from the Marina. Local shopping facilities are available in the Village of Lake George, 6 miles from the Marina.

Medical facilities are available at the Glens Falls Hospital, 12 miles away and at local medical offices and health centers. The Marina property is located in the Lake George Central School District, which operates elementary and secondary schools in Lake George. Adirondack Community College, a two-year community college operated by the University of the State of New York, is 8 miles distant. Religious institutions of major denominations are located in Glens Falls and some in Lake George, all within 10 miles of the Marina.

The Warren County Airport is located 6 miles away. Charter air service is presently available. Amtrak train service is available in Ft. Edward, 15 miles from the site. Both Lake George and Glens Falls are served by Greyhound and Adirondack Trailways. Taxi service is available at all locations.

The Saratoga Race Track and Saratoga Performing Arts Center, Summer home of the New York City Ballet and Philadelphia Orchestra, are located within 30 miles of the Marina.

A 7.58 acre parcel of Marina land is located on the northerly side of Route 9L, bordered on the north by Lake George, Harris Bay, on the east and west by single family residences and on the south by Route 9L. Across Route 9L is a 10.58 acre parcel of Marina land, lands owned by New York State and a portion of a 25.53 acre parcel of Marina land. The property on the east and west of the 7.58 acre parcel is zoned Lakeshore Residential - one acre.

Neither Sponsor nor its principals own, in whole or in part, or have an option or right to acquire, in whole or in part, any adjacent property which is not fully developed.

The purpose of the Plan is to set forth all the terms of the offering concerning the Club. The Plan may be amended from time to time when an amendment is filed with the Department of Law. Amendments will be distributed to purchasers, members and signatories to effective Boatowner's Agreements.

The Plan, together with any amendments thereto, delivered to purchasers, contains all of the material terms of the offering concerning the Club. Parts A, B and C of the Exhibits submitted to the Department of Law will be available for inspection without charge to prospective purchasers and their attorneys, at the office of the Selling Agent.

Definitions

The following terms when used in the Plan, will have the meanings set forth below:

(a) "Purchaser" will mean the person or persons who are named on the first page of a Subscription Agreement, sign the Agreement at the end, and submit the Agreement together with the required down payment.

(b) "Agreement" will mean a Subscription Agreement for a membership in Harris Bay Yacht Club, Inc.

(c) "Club" will mean Harris Bay Yacht Club, Inc., a New York not-for-profit corporation.

(d) "Sponsor" will mean Yardarm Development Associates, a New York limited partnership.

(e) "Marina property" will mean the land, buildings, personal and other property that will be owned by the Club.

(f) "Slip" will mean a slip identified on the Schedule of Slip Locations that has been or will be assigned to a membership that is the subject of a Subscription Agreement.

(g) "Membership" will mean the interest held by a member of the Club that is the subject of a Subscription Agreement.

(h) "Closing Date" will mean the date on which title to the Marina property is transferred from the Sponsor to the Club.

(i) "Closing" will mean the transfer of the Marina property to the Club or the transfer of a membership to a purchaser as the context indicates.

(j) "Plan" will mean the offering plan for the sale of memberships in the Club.

(k) "Amendment" will mean an amendment to the Plan.

(l) "Selling Agent" will mean Yardarm Development Associates, a New York limited partnership and or any other Selling Agent named in the Plan or an amendment.

(m) "Boat" will mean a boat or vessel.

(n) "By-Laws" will mean the By-Laws of the Club.

(o) "Rules and Regulations" will mean Rules and Regulations of the Club.

(p) "Date of Acceptance for Filing" will mean the date the Attorney General accepts the Plan or any amendment for filing.

(q) "Date of Presentation" will mean the date the Plan or any amendment is distributed to all persons who are: (i) signatories to effective "Boatowner's Agreements;" (ii) signatories to effective Subscription Agreements; or (iii) members of the Club. If the Plan or any Amendment is distributed by mail, the date of presentation will be 5 days after the mailing. Neither the Club nor Sponsor will be obligated to distribute more than one copy of the Plan and any amendment for each effective Boatowner's and Subscription Agreement and each membership.

(r) "Boatowner's Agreement" will mean an agreement between Sponsor and a person for the use of a slip and related services.

(s) "Marina" will mean the Yardarm Marina, consisting of the existing Marina and related facilities.

(t) "Board" will mean the Board of Directors of the Club.

(u) "YMI" will mean Yardarm Marina, Inc., a New York corporation, affiliate of Sponsor, management and selling agent.

(v) "Season" will mean the period of time the members will have the right to use the slips assigned to their memberships. The length of the Season is fixed by the Rules and Regulations. The Season is presently limited to the period beginning on or about the weekday immediately preceding the Memorial Day holiday weekend and ending on or about the weekday immediately following the Columbus Day holiday weekend, subject to extraordinary weather.

(w) "Scotia" will mean Scotia Marine North, Inc.

(x) "Selling Agent" will mean YMI.

SCHEDULE OF SLIP LOCATION, MEMBERSHIP COST, AND FIRST YEAR'S ANNUAL
MAINTENANCE COST. JUNE 1983

MAXIMUM DRAFT	MAXIMUM LENGTH AND BEAM	LOCATION DOCK NO. A	ESTIMATED	
			MEMBER- SHIP COST	ANNUAL MAINT- ENANCE COST
2.5 FEET	32' X 12'	A-01		
2.5 FEET	24' X 08'	A-02		
2.5 FEET	36' X 13'	A-03		
2.5 FEET	30' X 10'	A-04	15000	500
2.5 FEET	36' X 12'	A-05		
2.5 FEET	30' X 10'	A-06	15000	500
2.5 FEET	36' X 13'	A-07	15000	500
2.5 FEET	30' X 10'	A-08	15000	500
2.5 FEET	36' X 12'	A-09	15000	500
2.5 FEET	30' X 10'	A-10	15000	500
2.5 FEET	36' X 12'	A-11	17000	500
2.5 FEET	30' X 10'	A-12	15000	500
2.5 FEET	36' X 12'	A-13	17000	500
2.5 FEET	30' X 10'	A-14	15000	500
2.5 FEET	36' X 13'	A-15	23000	500
3.5 FEET	30' X 10'	A-16	17000	500
3.5 FEET	36' X 12'	A-17	23000	500
3.5 FEET	30' X 10'	A-18	17000	500
3.5 FEET	36' X 13'	A-19	23000	500
3.5 FEET	30' X 10'	A-20	17000	500
3.5 FEET	36' X 13'	A-21	23000	500
3.5 FEET	30' X 10'	A-22	17000	500
3.5 FEET	36' X 12'	A-23	23000	500
3.5 FEET	30' X 10'	A-24	17000	500
3.5 FEET	36' X 12'	A-25	23000	500
3.5 FEET	30' X 10'	A-26	17000	500
3.5 FEET	36' X 12'	A-27	23000	500
3.5 FEET	30' X 10'	A-28	17000	500
3.5 FEET	36' X 13'	A-29	23000	500
3.5 FEET	30' X 10'	A-30	17000	500
3.5 FEET	36' X 13'	A-31	23000	500
3.5 FEET	30' X 11'	A-32	17000	500
3.5 FEET	36' X 13'	A-33	23000	500
3.5 FEET	30' X 10'	A-34	17000	500
4 FEET	36' X 13'	A-35	23000	500
3.5 FEET	30' X 10'	A-36	17000	500
4 FEET	42' X 14'	A-37	23000	500
4 FEET	32' X 14'	A-38	23000	500

SCHEDULE OF SLIP LOCATION, MEMBERSHIP COST, AND FIRST YEAR'S ANNUAL
MAINTENANCE COST.

JUNE 1983

MAXIMUM DRAFT	MAXIMUM LENGTH AND BEAM	LOCATION DOCK NO. B	ESTIMATED	
			MEMBER- SHIP COST	ANNUAL MAINT- ENANCE COST
2 FEET	26' X 10'	B-01	15000	500
2 FEET	26' X 10'	B-02	15000	500
2.5 FEET	28' X 10'	B-03	19000	500
2.5 FEET	28' X 10'	B-04	19000	500
3 FEET	28' X 10'	B-05	19000	500
3 FEET	28' X 10'	B-06	19000	500
3 FEET	28' X 10'	B-07	19000	500
3 FEET	28' X 10'	B-08	19000	500
3.5 FEET	28' X 10'	B-09	19000	500
3.5 FEET	28' X 10'	B-10	19000	500
3.5 FEET	28' X 10'	B-11	19000	500
3.5 FEET	28' X 10'	B-12	19000	500
3.5 FEET	28' X 10'	B-13	19000	500
3.5 FEET	28' X 10'	B-14	19000	500
3.5 FEET	28' X 10'	B-15	19000	500
3.5 FEET	28' X 10'	B-16	19000	500
3.5 FEET	28' X 10'	B-17	19000	500
3.5 FEET	28' X 10'	B-18	19000	500
4 FEET	40' X 14'	B-19	23000	500
3.5 FEET	32' X 13'	B-20	23000	500
3.5 FEET	32' X 13'	B-21	23000	500
3.5 FEET	32' X 13'	B-22	23000	500
3.5 FEET	30' X 12'	B-23	21000	500
3.5 FEET	30' X 12'	B-24	21000	500

SCHEDULE OF SLIP LOCATION, MEMBERSHIP COST, AND FIRST YEAR'S ANNUAL
 MAINTENANCE COST. JUNE 1983

MAXIMUM DRAFT	MAXIMUM LENGHT AND BEAM	LOCATION DOCK NO. C	ESTIMATED	
			MEMBER- SHIP COST	ANNUAL MAINT- ENANCE COST
2.5 FEET	32' X 13'	C-01	19000	500
2.5 FEET	30' X 13'	C-02	19000	500
2.5 FEET	32' X 12'	C-03	23000	500
2.5 FEET	26' X 08'	C-04	17000	500
3 FEET	36' X 12'	C-05	23000	500
3 FEET	30' X 12'	C-06	21000	500
3 FEET	36' X 12'	C-07	23000	500
3 FEET	30' X 10'	C-08	19000	500
3 FEET	36' X 12'	C-09	23000	500
3 FEET	30' X 12'	C-10	23000	500
3.5 FEET	36' X 13'	C-11	23000	500
3.5 FEET	30' X 10'	C-12	19000	500
3.5 FEET	36' X 11'	C-13	23000	500
3.5 FEET	30' X 12'	C-14	23000	500
3.5 FEET	36' X 12'	C-15	23000	500
3.5 FEET	30' X 12'	C-16	23000	500
3.5 FEET	36' X 12'	C-17	23000	500
3.5 FEET	26' X 09'	C-18	17000	500
3.5 FEET	36' X 13'	C-19	23000	500
3.5 FEET	26' X 09'	C-20	17000	500
3.5 FEET	36' X 12'	C-21	23000	500
3.5 FEET	30' X 12'	C-22	23000	500
3.5 FEET	36' X 12'	C-23	23000	500
3.5 FEET	26' X 09'	C-24	17000	500
3.5 FEET	36' X 13'	C-25	23000	500
3.5 FEET	30' X 12'	C-26	23000	500
3.5 FEET	36' X 13'	C-27	23000	500
3.5 FEET	30' X 10'	C-28	19000	500
3.5 FEET	36' X 11'	C-29	23000	500
3.5 FEET	30' X 12'	C-30	23000	500
3.5 FEET	36' X 13'	C-31	23000	500
3.5 FEET	26' X 09'	C-32	17000	500
4 FEET	36' X 12'	C-33	23000	500
3.5 FEET	30' X 12'	C-34	23000	500
4 FEET	36' X 13'	C-35	23000	500
4 FEET	30' X 11'	C-36	21000	500
4 FEET	36' X 11'	C-37	23000	500
4 FEET	30' X 10'	C-38	21000	500
4 FEET	36' X 12'	C-39	23000	500
4 FEET	30' X 11'	C-40	21000	500
4 FEET	28' X 10'	C-41	23000	500
4 FEET	30' X 11'	C-42	21000	500
4 FEET		C-43	N/A	
4 FEET	30' X 12'	C-44	23000	500
4 FEET		C-45	N/A	
4 FEET	32' X 12'	C-46	23000	500

SCHEDULE OF SLIP LOCATION, MEMBERSHIP COST, AND FIRST YEAR'S ANNUAL
MAINTENANCE COST.

JUNE 1983

MAXIMUM DRAFT	MAXIMUM LENGTH AND BEAM	LOCATION DOCK NO. C EXTENSION	ESTIMATED	
			MEMBER- SHIP COST	ANNUAL MAINT- ENANCE COST
5 FEET	30' X 13'	CE-01		
5 FEET	32' X 14'	CE-02	23000	500
4.5 FEET	30' X 10'	CE-03	21000	500
5 FEET	32' X 10'	CE-04	23000	500
4.5 FEET	30' X 10'	CE-05	21000	500
5 FEET	32' X 09'	CE-06	23000	500
4.5 FEET	30' X 09'	CE-07	21000	500
5 FEET	32' X 10'	CE-08	23000	500
4.5 FEET	30' X 10'	CE-09	21000	500
5 FEET	32' X 09'	CE-10	23000	500
4.5 FEET	30' X 09'	CE-11	21000	500
5 FEET	32' X 09'	CE-12	23000	500
4.5 FEET	30' X 10'	CE-13	21000	500
5 FEET	32' X 10'	CE-14	23000	500
4.5 FEET	30' X 10'	CE-15	21000	500
5 FEET	32' X 10'	CE-16	23000	500
4.5 FEET	30' X 12'	CE-17	21000	500
5 FEET	32' X 10'	CE-18	23000	500
4.5 FEET	30' X 11'	CE-19	21000	500
5 FEET	32' X 10'	CE-20	23000	500
4.5 FEET	30' X 10'	CE-21	21000	500
5 FEET	32' X 09'	CE-22	23000	500
4.5 FEET	30' X 10'	CE-23	21000	500
5 FEET	32' X 08'	CE-24	21000	500
4.5 FEET	30' X 09'	CE-25	21000	500
5 FEET	32' X 09'	CE-26	23000	500
4.5 FEET	30' X 09'	CE-27	21000	500
5 FEET	32' X 09'	CE-28	23000	500
4.5 FEET	30' X 09'	CE-29	21000	500
5 FEET	32' X 09'	CE-30	23000	500
4.5 FEET	30' X 10'	CE-31	21000	500
5 FEET	32' X 11'	CE-32	23000	500
4.5 FEET	30' X 09'	CE-33	21000	500
5 FEET	32' X 12'	CE-34	23000	500
4.5 FEET	30' X 11'	CE-35	21000	500
5 FEET	32' X 11'	CE-36	23000	500
4.5 FEET	30' X 10'	CE-37	21000	500
5 FEET	32' X 10'	CE-38	23000	500
4.5 FEET	30' X 10'	CE-39	21000	500
5 FEET	32' X 10'	CE-40	23000	500
4.5 FEET	30' X 10'	CE-41	21000	500
5 FEET	32' X 10'	CE-42	23000	500
4.5 FEET	30' X 13'	CE-43	21000	500
5 FEET	32' X 13'	CE-44	23000	500

SCHEDULE OF SLIP LOCATION, MEMBERSHIP COST, AND FIRST YEAR'S ANNUAL
 MAINTENANCE COST. JUNE 1983

MAXIMUM DRAFT	MAXIMUM LENGTH AND BEAM	LOCATION DOCK NO. D	ANNUAL ESTIMATED	
			MEMBER- SHIP COST	MAINT- ENANCE COST
2 FEET	26' X 10'	D-01	13000	500
2 FEET	24' X 10'	D-02	13000	500
2.5 FEET	26' X 09'	D-03	15000	500
2.5 FEET	26' X 09'	D-04	15000	500
3 FEET	26' X 10'	D-05	15000	500
3 FEET	26' X 10'	D-06	15000	500
3 FEET	26' X 10'	D-07	15000	500
3 FEET	26' X 10'	D-08	15000	500
3 FEET	26' X 10'	D-09	15000	500
3 FEET	26' X 10'	D-10	15000	500
3 FEET	26' X 10'	D-11	15000	500
3 FEET	26' X 10'	D-12	15000	500
3 FEET	26' X 10'	D-13	15000	500
3 FEET	26' X 10'	D-14	15000	500
3.5 FEET	26' X 10'	D-15	17000	500
3.5 FEET	26' X 10'	D-16	17000	500
3.5 FEET	26' X 11'	D-17	17000	500
3.5 FEET	26' X 11'	D-18	17000	500
3.5 FEET	26' X 10'	D-19	17000	500
3.5 FEET	26' X 10'	D-20	17000	500
3.5 FEET	26' X 11'	D-21	17000	500
3.5 FEET	26' X 11'	D-22	17000	500
3.5 FEET	26' X 10'	D-23	19000	500
3.5 FEET	26' X 10'	D-24	19000	500
3.5 FEET	26' X 11'	D-25	19000	500
3.5 FEET	26' X 11'	D-26	19000	500
4 FEET	26' X 10'	D-27	19000	500
4 FEET	26' X 10'	D-28	19000	500
4 FEET	26' X 11'	D-29	19000	500
4 FEET	26' X 11'	D-30	19000	500
4 FEET	26' X 10'	D-31	21000	500
4 FEET	26' X 10'	D-32	21000	500
4 FEET	26' X 10'	D-33	21000	500
4 FEET	26' X 10'	D-34	21000	500
4 FEET	26' X 10'	D-35	21000	500
4 FEET	26' X 10'	D-36	21000	500
4 FEET	26' X 10'	D-37	21000	500
4 FEET	26' X 10'	D-38	21000	500
4.5 FEET	30' X 14'	D-39	23000	500
4.5 FEET	42' X 14'	D-40	23000	500
4.5 FEET	30' X 10'	D-41	23000	500
4.5 FEET	30' X 10'	D-42	23000	500

SCHEDULE OF SLIP LOCATION, MEMBERSHIP COST, AND FIRST YEAR'S ANNUAL
 MAINTENANCE COST.

JUNE 1983

MAXIMUM DRAFT	MAXIMUM LENGTH AND BEAM	LOCATION DOCK NO. E	MEMBER- SHIP COST	ESTIMATED ANNUAL MAINT- ENANCE COST
2 FEET	26' X 10'	E-01		
2 FEET	26' X 10'	E-02	13000	500
2.5 FEET	26' X 09'	E-03	13000	500
2.5 FEET	26' X 09'	E-04	15000	500
3 FEET	26' X 09'	E-05	15000	500
3 FEET	26' X 09'	E-06	15000	500
3 FEET	26' X 09'	E-07	15000	500
3 FEET	26' X 09'	E-08	15000	500
3 FEET	26' X 09'	E-09	15000	500
3 FEET	26' X 09'	E-10	15000	500
3 FEET	26' X 09'	E-11	15000	500
3 FEET	26' X 09'	E-12	15000	500
3 FEET	26' X 09'	E-13	15000	500
3 FEET	26' X 09'	E-14	15000	500
3.5 FEET	26' X 09'	E-15	17000	500
3.5 FEET	26' X 09'	E-16	17000	500
3.5 FEET	26' X 09'	E-17	17000	500
3.5 FEET	26' X 09'	E-18	17000	500
3.5 FEET	26' X 09'	E-19	17000	500
3.5 FEET	26' X 09'	E-20	17000	500
3.5 FEET	26' X 09'	E-21	17000	500
3.5 FEET	26' X 09'	E-22	17000	500
3.5 FEET	26' X 10'	E-23	17000	500
3.5 FEET	26' X 10'	E-24	19000	500
3.5 FEET	26' X 10'	E-25	19000	500
3.5 FEET	26' X 10'	E-26	19000	500
3.5 FEET	26' X 10'	E-27	19000	500
3.5 FEET	26' X 10'	E-28	19000	500
3.5 FEET	26' X 10'	E-29	19000	500
3.5 FEET	26' X 10'	E-30	19000	500
4 FEET	26' X 09'	E-31	19000	500
4 FEET	26' X 09'	E-32	21000	500
4 FEET	26' X 10'	E-33	21000	500
4 FEET	26' X 10'	E-34	21000	500
4 FEET	26' X 09'	E-35	21000	500
4 FEET	26' X 09'	E-36	21000	500
4 FEET	26' X 10'	E-37	21000	500
4 FEET	26' X 10'	E-38	21000	500
4.5 FEET	30' X 14'	E-39	21000	500
4.5 FEET	42' X 14'	E-40	23000	500
4.5 FEET	30' X 11'	E-41	23000	500
4.5 FEET	30' X 11'	E-42	23000	500

SCHEDULE OF SLIP LOCATION, MEMBERSHIP COST, AND FIRST YEAR'S ANNUAL
MAINTENANCE COST. JUNE 1983

MAXIMUM DRAFT	MAXIMUM LENGTH AND BEAM	LOCATION DOCK NO. P	ESTIMATED	
			MEMBER- SHIP COST	ANNUAL MAINT- ENANCE COST
2 FEET	28' X 12'	F-01	13000	500
2 FEET	28' X 12'	F-02	13000	500
2.5 FEET	28' X 09'	F-03	15000	500
2.5 FEET	28' X 12'	F-04	15000	500
2.5 FEET	28' X 09'	F-05	15000	500
2.5 FEET	28' X 12'	F-06	15000	500
3 FEET	28' X 09'	F-07	15000	500
3 FEET	30' X 10'	F-08	15000	500
3 FEET	30' X 10'	F-09	15000	500
3 FEET	30' X 11'	F-10	17000	500
3.5 FEET	28' X 09'	F-11	17000	500
3.5 FEET	30' X 11'	F-12	19000	500
3.5 FEET	30' X 10'	F-13	17000	500
3.5 FEET	32' X 12'	F-14	19000	500
3.5 FEET	28' X 09'	F-15	17000	500
3.5 FEET	32' X 11'	F-16	23000	500
3.5 FEET	30' X 10'	F-17	17000	500
3.5 FEET	34' X 12'	F-18	23000	500
3.5 FEET	28' X 09'	F-19	17000	500
3.5 FEET	36' X 12'	F-20	23000	500
3.5 FEET	28' X 09'	F-21	17000	500
3.5 FEET	36' X 12'	F-22	23000	500
3.5 FEET	28' X 09'	F-23	17000	500
3.5 FEET	36' X 12'	F-24	23000	500
3.5 FEET	28' X 09'	F-25	17000	500
3.5 FEET	36' X 13'	F-26	23000	500
3.5 FEET	30' X 10'	F-27	17000	500
3.5 FEET	36' X 13'	F-28	23000	500
3.5 FEET	28' X 09'	F-29	17000	500
3.5 FEET	36' X 13'	F-30	23000	500
3.5 FEET	30' X 11'	F-31	17000	500
4 FEET	30' X 10'	F-32	19000	500
4 FEET	30' X 12'	F-33	19000	500
4.5 FEET	42' X 14'	F-34	23000	500
4.5 FEET	30' X 14'	F-35	23000	500
4.5 FEET	30' X 10'	F-36	23000	500
4.5 FEET	30' X 09'	F-37	23000	500

FOOTNOTES TO SCHEDULE OF
SLIP LOCATIONS, MEMBERSHIP COST (SALES PRICES)
AND
PROJECTED ASSESSMENTS

1. 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.
2. Membership cost is the sales price at which the individual memberships are presented. See page 41 which discloses and explains price changes. Prices may be changed in connection with individually negotiated sales. The only anticipated additional costs that will be due on or prior to the closing of the memberships are: the purchaser's attorney's fees; sales tax (7%); the initial quarterly installment of the assessment; and if the purchaser finances the purchase with a loan from the Club, additional legal fees (\$125. and \$75.).
3. The membership cost/sales price, does not reflect any portion of the Mortgage that will be delivered to the Sponsor by the Club, in partial payment of the sales price of the Marina property. The members will not be personally liable to pay the Mortgage. The Club will be responsible. The member's assessments will include monies required to pay debt service on the Mortgage. If, in the unlikely event the Club is unable to refinance the Mortgage, or obtain an extension of the Mortgage, or if the terms are considered unfavorable, the Club is unable to obtain an interim loan and had no other funds available, it would be necessary to level a special assessment against each member and each membership in the amount of \$12,516.73 based on the sale of all 266 memberships, in order to pay the outstanding principal balance then due.
4. If a purchaser obtains a loan to finance the purchase of a membership, payment of debt service on the loan will be an additional expense.
5. Any person(s) who is a signatory to an effective Boatowner's Agreement on the date the Plan is accepted for filing, will have the exclusive right for a period of 30 days from the date of presentation of the Plan, to purchase the membership that is assigned the applicable slip, by submission of a Subscription Agreement signed by the Boatowner(s), together with the required down payment.
6. Any person(s) who is a signatory to an effective Boatowner's Agreement on the date the Plan is accepted for filing, and submits a Subscription Agreement signed by the Boatowner(s), together with the required down payment, within 30 days from the date of presentation of the Plan, will be given a credit against the balance due, in an amount determined as provided

below. If the slip assigned to a membership is subject to a Boatowner's Agreement on the closing of the membership, with a person other than the purchaser, there will be an apportionment of the payments due under the Boatowner's Agreement as provided below.

An apportionment of the payments made under the Boatowner's Agreement will be made as of the Closing Date, based on the number of days remaining on the term of the Agreement, premised on the factors set forth in this paragraph. The payments made to the Sponsor (or the Club) for dockage or in the alternative storage, will be apportioned depending upon the Closing Date. For the purpose of apportionment:

- (a) Dockage is paid for the period May 1 through October 14, storage is paid for the period October 15 through April 30.
 - (b) Payments under the Boatowners Agreement attributable to dockage and storage are calculated on the basis that each boat is at least 24' in length with an 8' beam, even though the actual boat may be of lesser dimensions.
 - (c) Payments are made for dockage at the rate of \$30. per foot on the basis of length.
 - (d) Payments are made for storage at the rate of \$1.80 per square foot for outside storage and \$2.80 per square foot for inside storage.
7. Any person(s) who is a signatory to an effective Boatowner's Agreement on the date the 30 day exclusive purchase period expires, will be entitled on a first come, first served basis, for a period of 15 days from the date the exclusive purchase period expires, to purchase an unsubscribed membership, by submission of a Subscription Agreement signed by the Boatowner(s), together with the required down payment.
 8. After the expiration of 15 days from the date the 30 day exclusive purchase period expires, the unsubscribed memberships may be purchased by any person over 18 years of age, subject to acceptance of the Subscription Agreement by the Club.
 9. Slips Nos. A-1, A-2, A-3, A-5, and C Extension-1, are leased to Scotia Marine North, Inc. ("Scotia") as described at page 74 . The Club has no present intention of assigning these slips to memberships. They are not presented for sale under the Plan.
 10. The estimated annual maintenance cost projected is the projected assessment for the first year of operation of the Marina by the Club. In the opinion of Robert W. Leavitt, Inc., the projected income of the Club appears to be sufficient to meet the projected expenses for the first year of operation. However,

the projected assessments are not intended and should not be viewed as a representation or assurance that the assessments for the first year of operation will be as set forth on the Schedule. The assessments will vary with changes in the amount of real estate taxes and all other expenses of the Club. Future increases in the quarterly payments due under the Mortgage are not expected, in and of themselves, to result in an increase in the assessments, because of the additional memberships that are expected to be sold after the initial 145 necessary to declare the Plan effective.

11. Each slip should be carefully inspected prior to the submission of a Subscription Agreement to determine its actual dimensions, layout and physical condition.

PROJECTED BUDGET FOR FIRST YEAR
OF OPERATION OF THE CLUB

Beginning October 15, 1983, ending October 14, 1984

Ordinary Operating Income

Storage - Members(2)	31,250.
Storage - Non-Members(3)	9,500.
Building Rentals(4)	28,788.
Loan Payments(5)	272,040.
Assessments at \$500/ 145 Memberships(7)	72,500.

Start-up Income

Membership Rentals(1)	\$156,000.
Membership Sales(6)	565,500.
Sales Tax(8)	202,645.

TOTAL INCOME

\$1,338,223.

Ordinary Operating Expenses

Labor(9)	\$ 81,554.
Heating & Hot Water(10)	6,500.
Utilities(11)	8,950.
Management(12)	67,500.
Maintenance/Services(13)	40,000.
Insurance(14)	30,000.
Real Estate Taxes(15)	16,200.
Franchise and Income Taxes(16)	8,000
Telephone	5,000.
Legal(18)	1,200.
Accounting(19)	1,500.
Mortgage Payments(21)	285,600.

Start-up Expenses

Sales Tax(17)	202,645.
Sales Price(20)	325,000.
Printing/Mailing(22)	10,000.
Contingency Reserve(23)	41,969.
Closing Costs(24)	191,605.
Sales Commis- sions(25)	0 (to 94,380.)
Marketing(26)	15,000.

TOTAL EXPENSES

\$1,338,223.

FOOTNOTES TO PROJECTED BUDGET FOR
FIRST YEAR OF OPERATION OF THE CLUB

Beginning October 15, 1983, ending October 14, 1984

1. Membership Rentals: The Club will accept Subscription Agreements for at least 145 memberships before the Plan may be declared effective. The unsold memberships will be offered for lease for the Season. The projected income is based on the lease of 121 memberships for 1984/85 dockage and storage at an average fee of \$1,670, rent payable in quarterly installments, the last installment due October 15, 1984. The average fee for the 1983 Season was approximately \$1,500. This represented an increase of approximately 10% over the average fee for the 1982 Season. There were more than 30 persons on a waiting list for slips for the 1983 Season. All 266 slips assigned to memberships are currently subject to Boatowners' Agreements.
2. Storage/Members: The Club will offer members the use of indoor storage space at the rate of \$1.25 per square foot. The projection is based on 25,000 square feet. In 1982 and 1981 the rates were respectively \$2.50 and \$2.25 per square foot, for in excess of 50,000 square feet of indoor storage space.
3. Storage/Non-Members: The Club will offer non-members the right to outdoor storage space. The projected income is based on 20 boats with an average fee of \$475. In 1982 and 1981 the average fees were respectively \$473. and \$487., for in excess of 20 boats.
4. Building Rentals: The Club will receive monthly rent pursuant to a lease with Scotia. See page 74 for a description of the lease.

October 1983 through March 1984 - \$2,312.50 per month
April 1984 through October 1984 - \$2,485.94 per month
5. Loan Payments: The Club will loan up to 80% of the sales price of the memberships at 14% interest per annum for up to 15 years. The projected income from loan payments is based on the assumption that interest and principal will be due on loans from each member in the amount of 80% of the sales price at 14% interest for 15 years on 145 memberships.
6. Membership Sales: The projection is based on closing the minimum number of Subscription Agreements that must be signed before the Plan may be declared effective, namely 145. The projection is premised on an average sales price of \$19,500. If the purchaser obtains a loan from the Club, the purchaser must pay no less than 20% of the total sales price in cash. The projection was computed upon the assumption that the minimum amount of cash will be paid by each member and the balance will be loaned by the Club.

7. Assessments at \$500/Member: The assessment is payable quarterly. The assessment will be increased if necessary to cover any deficit. The assessments are not expected to increase as additional memberships are sold.
8. Sales Tax: See Footnote 18.
9. Labor: The projected sum is based on the following staff:

<u>No.</u>	<u>Title</u>	<u>Weekly/Annual Salary</u>
1	Operating Manager	\$450./\$23,400.
1	Crew Chief	300./\$15,600.
1	Skilled Laborer	180./\$9,360.
7	Seasonal Laborers	160./\$15,680.
2	Seasonal Cleaners	70./\$2,660.
N/A	Overtime	--/\$3,711.

Actual staffing for the 1983 Season consists of 1 operating manager, 1 crew chief, 1 skilled laborer and 5 seasonal laborers.

<u>Payroll Taxes, Insurance</u>	<u>Computation</u>	<u>Total Salaries \$70,411 Annual Cost</u>
FICA	\$70,411.x6.7%	\$ 4,900.
FUT	70,411.x .7%	493.
Unemployment Insurance	70,411.3.7%	2,620.
Disability Insurance	70,411.x .1%	70.
Workers' Compensation	(See Note 14)	--
Health Insurance	1,020.x3	<u>3,060.</u>
	Total Payroll	\$81,554.

The projected staff should be sufficient to maintain the Marina property and the vehicles and equipment provided under the Management Agreement.

The seasonal laborers will be employed full-time for approximately 14 weeks to launch and remove the boats. The seasonal cleaners will be employed part-time, one for approximately 20 hours a week for approximately 26 weeks, the second for approximately 20 hours a week for approximately 12 weeks. The other staff will be full-time, year round employees. Overtime is based on 8.5% of total salaries, exclusive of the operating manager who will not be paid overtime. Health insurance is based on a monthly payment of \$85. towards a group policy for each full-time employee. The projected salaries do not violate Section 652(1) of the Labor Law.

10. Heating and Hot Water: The Marina property uses No. 2 fuel oil to heat one shop and No. 2 fuel oil together with a wood stove to heat a second shop. The cost of fuel and wood for heating the two shops will be the exclusive obligation of

YMI and Scotia under the lease between the Club and Scotia and the management agreement between the Club and YMI. The main office building and the water in the building is heated by gas, namely liquid propane. For the two year period ending November, 1982 the building utilized a total of 6,166.6 gallons at a total cost of \$5,793. including sales tax. The projection represents a 128% increase over the average cost for such two year period based on the average consumption. The projection is based on an estimated cost of \$2.108 per gallon. The cost as of the date the Plan was prepared was \$.88 per gallon.

In view of the current energy situation, it is not possible to predict whether the budgeted figure will reflect the actual cost to be incurred during the first year of operation, which will vary with the level of consumption and the price of gas. Consumption will be affected by the severity of the weather and conservation measures (such as staggering hours of heating, lowering the temperature of the the heat and hot water, etc., if any) adopted by the Board. Fluctuating gas prices and other factors may raise the cost substantially higher than the current rate. If current trends continue, it is likely that the cost will increase with the passage of time, although it is not possible to forecast when this could occur or the extent of any increase, which is outside the control of the Club and Sponsor.

11. Utilities: The projected sum should cover the cost of all electrical consumption including that required for cooling. Each slip is furnished with an individual outlet. For the two year period ending November, 1982 the Marina property utilized a total of 171,439 KWH at a total cost of \$15,060. including sales tax. The projection represents a 13% increase over the average cost for such two year period based on the average consumption. The projection is based on an estimated cost of \$.1044 per KWH. The rate as of the date the Plan was prepared was \$.0934 per KWH.

The electric rates are largely affected by increases in the price of fuel paid by the utility company. In view of the current energy situation, it is not possible to predict with certainty whether the budgeted amount will be in accord with the actual costs to be incurred during the first year of operation. Increases in electric rates will result in increasing the cost of electricity. The utility rates are largely affected by the increases in the price of fuel paid by the utility company, which among other factors, is influenced by the rate of foreign fuel oil, which is the principal source of oil used in this section of the United States. As a result, the imposition or revocation of import duties by the U.S. Congress and rate increases imposed by foreign oil exporting countries will have a substantial impact on the cost of oil used by the utility company. As a result, it is likely that electric rates will increase. Although it is not

possible to forecast the amount of such increase, it is believed that the projected figure should be sufficient to cover any reasonable increase in the cost of electricity resulting from the foregoing during the first year of operation. However, no budget item is warranted.

12. Management: Covers the cost of compensation due to YMI under a management agreement that will be in effect as of the Closing Date. For a description of the management agreement see page 71.

13. Maintenance/Services: The Club is obligated to maintain the Marina property. The projected sum is based upon the following components:

A. Material: \$20,000. should cover the cost of supplies and materials required for the ordinary repair and maintenance of the Marina property including accessways, water supply system, and the vehicles and equipment provided under the Management Agreement; including such items as lumber, fillings, lamps, paint, cleaning fluids, batteries, tires and lubricants.

B. Waste Removal: \$3,000. based on an estimate given by Morey Trucking, Inc., Lake George, New York as follows:

<u>Time of Year</u>	<u>No. of Pick-ups</u>	<u>No. of Dumpsters</u>	<u>Est. Cost</u>
Oct. 15 to Mar. 31	1 x per week	1 to 3	\$ 240.
April 1 to June 30	1 x per week	1 to 3	440.
July 1 to Sept. 15	2 x per week	1 to 3	1,800.
Sept. 16 to Oct. 14	1 x per week	1 to 3	<u>160.</u>
			\$2,640;

and a projected cost of \$300. for pumping out the sewage holding tanks. The cost for pumping such tanks during 1982 and 1981 averaged \$225. Snow removal services will be performed by employees of the Club utilizing vehicles and equipment provided under the management agreement.

C. Marina Commissioning/Decommissioning: \$12,900. based on contract with Scotia. See page 73 for a description of the contract.

14. Insurance: The projected sum should be sufficient based on the estimate provided by Bernardo-Goldstein & Quinn Agency, Inc., 100 State Street, Albany, New York 12207, to obtain the following coverage:

A. "All Risk" policy (excludes flood and earthquake damage) for the buildings, improvements and their contents in an amount equal to their full replacement value under an agreed amount endorsement as follows: main office building \$130,000., contents \$40,000.; transformer building, \$12,000., contents \$2,000.; gas dock building \$1,500., contents \$8,000.; back storage building \$100,000., contents \$2,000.; shop and storage building (Washington County Parcel) \$150,000., contents \$2,000.; rack and storage building (Washington County parcel) \$75,000., contents \$2,000.; dock system \$400,000., ice damage \$10,000. deductible.

B. "Comprehensive general liability" policy including: medical payments \$250./\$10,000.; \$1,000,000. single limit coverage; comprehensive automobile liability including physical damage; and miscellaneous equipment.

C. Fidelity bond in the amount of \$75,000., \$100. deductible.

D. Workers Compensation to meet requirements of law.

E. The budget makes no provision for directors and officers liability insurance.

5. Real Estate Taxes: The actual assessed value, tax rates and taxes for the past two years were as follows:

Warren County

<u>Year</u>	<u>Assessed Value</u>	<u>School Rate</u>	<u>County Rate</u>	<u>Total</u>
82/83	\$221,000	.02539	.01111	\$8,067
81/82	221,000	.02581	.00759	7,381

Washington County

<u>Year</u>	<u>Assessed Value</u>	<u>School Rate</u>	<u>County Rate</u>	<u>Total</u>
82/83	\$ 2,500.	.13371	.08978	\$ 559.
81/82	2,500.	.14283	.08633	573.

The actual County Tax Rates for 1983/84 are:

<u>County</u>	<u>Assessed Value</u>	<u>County Rate</u>	<u>Total Tax</u>
Warren	\$221,000.	.01247	\$ 2,756.
Washington	2,500.	.11980	300.

21. Mortgage: The projected sum will be sufficient to cover the constant quarterly payments of interest due during the first year of the term of the Mortgage each in the amount of \$95,200. The terms of the Mortgage are described at page 50.
22. Printing/Mailing: The projected sum should be sufficient to cover the cost of printing the Plan and mailing the Plan and amendments to signatories to Boatowner's Agreements, members and purchasers. The cost of printing was based on the cost of printing comparable Plans.
23. Capital/Contingency Reserve: This sum is intended to constitute a fund available for expenses not provided for in the budget or increases in expenses provided for in the budget. The budget may be modified by the Board prior to the commencement of or during operations. If there is a material change in the budget an amendment will be submitted for filing disclosing the change. The funds required as a result of a change may be provided for by decreasing the contingency reserve, decreasing other expenses, increasing assessments or imposing a special assessment.
24. Closing Costs: The projected sum will be utilized to pay the legal fees of Walter O. Rehm, III, Esq., in connection with the closing of title to the Marina property, the closings on the individual memberships and the first meeting of members; the payment of the cost of an owners title insurance policy and the applicable mortgage recording tax and the deed transfer tax. The legal fee will be \$5,000. for the closing of title to the Marina property and the first meeting of members. The legal fee will be \$200. for each of the closings on the individual memberships. The premium for the title insurance policy is estimated to be \$13,200. The mortgage recording tax is estimated to be \$35,700. The deed transfer tax is projected to be \$20,340. Approximate cost of apportionment of payments made under Boatowners Agreements as of anticipated Closing Date is \$88,365.
25. Sales Commissions: The Club will enter into a Selling Agency Agreement with YMI on the Closing Date. YMI will be entitled to a commission equal to 4% of any sales. If there are 121 unsold memberships as of the Closing Date and all are sold during the first year of operation, the aggregate commissions due YMI will be \$94,380. Such expense would be more than offset by the sales proceeds payable to the Club. The terms of the Selling Agency Agreement are described at page 72.
26. Marketing: The projected sum will be utilized to pay or reimburse the Selling Agent for the costs of advertising, reproduction and other selling expenses which are the obligation of the Club under the Selling Agency Agreement.

NOTE: AT CLOSING, THE SPONSOR AND THE CLUB WILL APPORTION ITEMS OF INCOME AND EXPENSE IN ACCORDANCE WITH THE PERIOD THAT EACH OWNS THE MARINA PROPERTY. ASSUMING THE NET CLOSING APPORTIONMENTS ARE IN FAVOR OF THE SPONSOR, ANY AMOUNTS DUE IN EXCESS OF AVAILABLE CASH EXCLUSIVE OF ASSESSMENTS, WILL BE PAID BY THE CLUB IN 4 EQUAL CONSECUTIVE QUARTERLY INSTALLMENTS, COMMENCING ON THE FIRST DAY OF THE FIRST CALENDAR MONTH SUBSEQUENT TO THE CLOSING, PURSUANT TO NEGOTIABLE SERIAL NOTES BEARING 12% INTEREST. IN SUCH CASE, ALTHOUGH SUCH NOTES ARE NOT DIRECTLY INCLUDED IN THIS BUDGET, PAYMENT OF THE NOTES REPRESENTS, IN EFFECT, PAYMENT OF CERTAIN EXPENSES REFLECTED IN THIS BUDGET THAT HAVE BEEN PREPAID BY SPONSOR. SEE PAGE 68 FOR DETAILS.

IN THE OPINION OF ROBERT W. LEAVITT, INC., THE PROJECTED RECEIPTS APPEAR TO BE ADEQUATE TO MEET THE ESTIMATED EXPENSES, FOR THE CLUB'S FIRST YEAR OF OPERATION. THE FOREGOING BUDGET, HOWEVER, IS NOT INTENDED AND SHOULD NOT BE TAKEN AS A GUARANTY, WARRANTY OR REPRESENTATION BY ANYONE THAT THE ASSESSMENTS OR EXPENSES FOR THE FIRST YEAR OF OPERATION BY THE CLUB WILL BE AS SET FORTH IN SAID BUDGET, AND IT IS LIKELY THAT THE ACTUAL ASSESSMENT AND/OR EXPENSES WILL VARY FROM THE AMOUNTS SHOWN IN THE BUDGET.

THE SPONSOR HAS RESERVED THE RIGHT TO MODIFY, RENEW AND REPLACE EXISTING SERVICE, MAINTENANCE, EMPLOYMENT, CONCESSIONAIRE, LEASE, AND OTHER AGREEMENTS AND INSURANCE POLICIES, AND TO ENTER INTO NEW AGREEMENTS AND POLICIES THAT WILL BE BINDING ON THE CLUB ON THE CLOSING DATE. SUCH NEW OR RENEWAL AGREEMENTS WILL NOT BE FOR A TERM EXPIRING MORE THAN 3 YEARS FROM THE CLOSING DATE.

EDWARDS, WILLIAMS, McMANUS, RICCIARDELLI & COFFEY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

GLENWOOD AVENUE, BOX 599

GLENS FALLS, NEW YORK 12801

Mr. Thomas W. Eagan
President/Managing Partner
Yardarm Marina, Inc.
Yardarm Development Associates

We have examined the combining statement of income of Yardarm Marina, Inc. and Yardarm Development Associates for the year ended September 30, 1982. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combining statement of income referred to above presents fairly the combined results of operations of Yardarm Marina, Inc. and Yardarm Development Associates for the year ended September 30, 1982 in accordance with generally accepted accounting principles.

EDWARDS, WILLIAMS, McMANUS,
RICCIARDELLI & COFFEY, P. C.

By 

December 7, 1982

YARDARM MARINA, INC.
YARDARM DEVELOPMENT ASSOCIATES

Combining Statement of Income

Year ended September 30, 1982

	Yardarm Marina, Inc.	Yardarm Development Associates	Eliminations	Total 1982
Operating revenues (note 1)	\$ 506,653	170,000	(170,000)	506,653
Casualty gain (note 2)	-	703	-	703
Total income	<u>506,653</u>	<u>170,703</u>	<u>(170,000)</u>	<u>507,356</u>
Cost of goods sold	158,806	-	-	158,806
	<u>347,847</u>	<u>170,703</u>	<u>(170,000)</u>	<u>348,550</u>
Operating expenses:				
Advertising and promotion	6,612	-	-	6,612
Bad debts	2,000	-	-	2,000
Depreciation and amortization (note 1)	465	66,594	-	67,059
Equipment rental	2,049	-	-	2,049
Facility rental (note 1)	175,000	-	(170,000)	5,000
Insurance	31,690	113	-	31,803
Interest	4,183	91,901	-	96,084
Legal, accounting and consulting fees	3,959	3,107	-	7,066
Miscellaneous expense	6,122	1,069	-	7,191
Offices supplies and expense	11,038	66	-	11,104
Operating supplies and expense	6,787	44	-	6,831
Repairs and maintenance	10,292	-	-	10,292
Salaries (note 3)	144,380	-	-	144,380
Taxes - payroll (note 3)	13,785	-	-	13,785
Taxes - real estate	-	8,477	-	8,477
Taxes - sales and use	193	4,622	-	4,815
Telephone	7,988	-	-	7,988
Travel and entertainment	7,565	-	-	7,565
Heat	5,078	-	-	5,078
Utilities	9,125	-	-	9,125
Vehicle and mobile equipment operation	7,238	-	-	7,238
Waste removal	3,520	-	-	3,520
	<u>459,069</u>	<u>175,993</u>	<u>(170,000)</u>	<u>465,062</u>
Net loss	\$ <u>(111,222)</u>	<u>(5,290)</u>	<u>-</u>	<u>(116,512)</u>

Contingent liabilities (note 4)

The accompanying accountants' report and notes should be read in conjunction with this statement.

YARDARM MARINA, INC.
YARDARM DEVELOPMENT ASSOCIATES

Notes to Combining Statement of Income

September 30, 1982

(1) Description of Business and Summary of Significant Accounting Policies:

Business - Yardarm Marina, Inc. (formerly Route 9L Marina Corporation) was formed October 1, 1981 for the purpose of operating a marina located at Harris Bay, Lake George, New York. Yardarm Development Associates, a limited partnership, was formed in 1981 to acquire title to the land, buildings and marina equipment and lease the facilities to Yardarm Marina, Inc. 82% of the outstanding capital stock of the corporation is owned by individuals who in aggregate own 92% of the limited partnership.

During the year ended September 30, 1982, lease payments between the two parties totaled \$170,000 which has been eliminated in combination.

Revenue Recognition - Revenues from annual storage and dockage contracts are recognized ratably each month over the period in which the related services are to be performed. Other operating revenues of the marina are recognized at the time the merchandise is sold or the services performed.

Depreciation and Amortization - Depreciation on buildings is provided for over their estimated useful lives on a straight-line basis. Equipment and vehicles are depreciated over their estimated useful lives using both straight-line and accelerated methods which includes the use of the "accelerated cost recovery system" provided for in the Economic Recovery Tax Act of 1981.

Organization costs are amortized on a straight-line basis over five years and loan acquisition costs are amortized on a straight-line basis over the term of the loan.

Income Taxes - The corporation's shareholders have elected to be taxed on their pro-rata share of the corporation's earnings under Sub-Chapter "S" provisions of the Internal Revenue Code. The corporation has also filed for similar treatment under New York State Tax Law.

The partnership is not subject to income taxes. The individual partners will recognize their pro-rata share of income or loss on their individual tax returns and make appropriate adjustments to the tax basis of their partnership interests.

(2) Storage Building Collapse:

On February 2, 1982, a portion of a boat storage building located at Harris Bay collapsed. The collapse resulted in damage to several customer boats as well as requiring additional costs by the company for cleanup. As of the date of this report, the corporation has filed insurance claims totaling \$32,130 of which \$15,496 has been received. Of the total claims approximately \$25,000 has been offset against specific expenses and the balance representing claims for lost revenues and the use of company equipment has been included in operating revenues.

YARDARM MARINA, INC.
YARDARM DEVELOPMENT ASSOCIATES

Notes to Combining Statement of Income, Continued

(2) Storage Building Collapse, Continued:

The partnership received \$40,303 in insurance proceeds relating to the damaged structure. The book basis of the damaged portion was \$39,600 resulting in a gain of \$703 for financial reporting purposes. For tax purposes, the partnership will defer any gain or loss as part of the new building which was rebuilt in October, 1982 for a total cost of approximately \$30,000.

(3) Salaries and Payroll Taxes:

During 1982, the corporation charged Yardarm Development Associates approximately \$21,000 in salaries and related payroll taxes relative to work performed by company employees on various real property improvements. These amounts have been recorded by the corporation as a direct reduction of the related expense accounts and have been capitalized and are being depreciated by the partnership.

(4) Contingent Liabilities:

Various claims have been filed against the corporation by customers for boat damages as the result of the building collapse explained in note 2. It is management's opinion that these claims with the exception of minor deductible amounts, are fully covered by insurance and will result in no material future cost to the company.

(5) Subsequent Events:

Subsequent to September 30, 1982, the corporation has made arrangements to sublet the marina store, gas dock and boat repair operation to an outside party. As of the date of this report negotiations are being conducted to establish the amount of rentals to be received and the purchase price of existing inventories. Sales and cost of sales (excluding labor) of these discontinued operations during the period covered by this report approximated \$164,000 and \$159,000, respectively.

Arthur W. Gotts, Inc.
Financial Statements
September 30, 1981

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Alfred H. Maurer, Jr., CPA, P.C.
8 Sarnowski Drive
Scotia, New York 12302

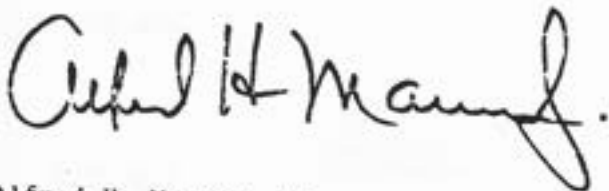
October 13, 1982

To The Board of Directors of
Arthur W. Cotts, Inc.
Cleverdale, New York 12820

We have reviewed the accompanying balance sheet of Arthur W. Cotts, Inc. and its wholly owned subsidiary, Harris Bay Development Corporation, as of September 30, 1981 and the related statements of income and retained earnings for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Arthur W. Cotts, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



Alfred H. Maurer, Jr.
Certified Public Accountant

Arthur W. Cotts, Inc.
Consolidated Balance Sheet
As at September 30, 1981

Assets

<u>Current Assets</u>			
Cash in Banks	\$ 15,867		
Accounts Receivable	84,157		
Inventory	30,000		
Prepaid Expenses	<u>16,218</u>		
<u>Total Current Assets</u>			\$ 146,242
<u>Real Property & Equipment</u>			
Total as Appraised on 6/9/70 Plus Subsequent	\$ 907,508		
Additions at Cost (Schedule 1)			
Excess of Cost of Stock of Subsidiary	43,202		
Corporation Over Book Value on			
9/30/79 (Note 1)			
Less Accumulated Depreciation	(284,028)		
<u>Net Book Value</u>			666,682
<u>Other Assets (Schedule 2)</u>			<u>78,165</u>
<u>Total Assets</u>			<u>\$ 891,089</u>

Liabilities & Stockholders' Equity

<u>Current Liabilities</u>			
Accounts Payable & Accrued Expenses	\$ 141,977		
Deferred Income - Future Services (Note 5)	106,668		
Taxes Payable	11,038		
Due to Stockholder	64,951		
<u>Total Current Liabilities</u>			\$ 324,634
<u>Long Term Debt (Schedule 3)</u>			601,227
<u>Stockholders' Equity</u>			
Common Stock (200 shares, No Par)	\$ 2,562		
Retained Earnings (Deficit)	<u>(37,334)</u>		
<u>Total Stockholders' Equity</u>			<u>(34,772)</u>
<u>Total Liabilities & Stockholders' Equity</u>			<u>\$ 891,089</u>

Arthur W. Gotts, Inc.
Consolidated Balance Sheet
As at September 30, 1981

Schedule 1 - Real Property & Equipment

Land & Improvements	\$ 262,469
Buildings & Improvements	265,652
Docks	243,567
Equipment	67,860
Vehicles	38,878
Leasehold Improvements - Pilot Knob	<u>29,082</u>
<u>Total</u>	<u>\$ 907,508</u>

Schedule 2 - Other Assets

Unamortized Prepaid Non-Compete Agreement (Note 2)	\$ 13,750
Unamortized Prepaid Consulting Agreement (Note 3)	58,125
Unamortized Loan Costs (Note 4)	<u>6,290</u>
<u>Total</u>	<u>\$ 78,165</u>

Schedule 3 - Long Term Debt

Note Payable - A. Robert Stewart (Note 6)	\$ 272,336
Note Payable - Chemical Bank	5,542
Mortgage Payable - Chemical Bank (Note 7)	280,457
Note Payable - Chemical Bank	1,000
Note Payable - Chemical Bank	38,281
Note Payable - Chemical Bank	<u>3,611</u>
<u>Total</u>	<u>\$ 601,227</u>

Arthur W. Gotts, Inc.
Consolidated Statement of Revenues, Expenses & Retained Earnings
For the Year Ended September 30, 1981

	<u>Amount</u>	<u>%</u>
<u>Revenues</u>		
Dock Rentals	\$ 238,928	50
Winter Storage	157,295	33
Quick Launch	17,628	4
Miscellaneous	35,656	7
Gross Profit on Merchandise Sales	<u>26,959</u>	<u>6</u>
<u>Total Revenues</u>	<u>476,466</u>	<u>100</u>
<u>Operating Expenses</u>		
Salaries & Wages	183,902	
Payroll Taxes	13,059	
Advertising	4,916	
Amortization - Loan Costs	2,287	
Amortization - Non-Compete Agreement	5,000	
Amortization - Prepaid Consulting	7,500	
Bad Debts	1,069	
Depreciation	44,792	
Equipment Rental	3,988	
Heat & Lights	10,454	
Insurances	20,932	
Interest	96,860	
Maintenance	16,060	
Miscellaneous	5,811	
Office Expense & Supplies	13,940	
Professional Fees	7,480	
Real Estate Taxes	6,493	
Rent	35,423	
Telephone	6,142	
Travel & Sales Expense	5,279	
Vehicle Expense	<u>15,308</u>	
<u>Total Operating Expenses</u>	<u>506,695</u>	<u>106</u>
<u>Operating Loss</u>	(30,229)	<u>(6)</u>
Other Income	<u>10,184</u>	
<u>Net Loss Before Taxes</u>	(20,045)	
Income Taxes	<u>(1,850)</u>	
<u>Net Loss to Retained Earnings</u>	(21,905)	
Retained Earnings - Beginning of Year	<u>(15,429)</u>	
<u>Retained Earnings</u>	<u>\$ (37,334)</u>	

Arthur W. Gots, Inc.
Notes to the Consolidated Balance Sheet
September 30, 1981

Summary of Significant Accounting Policies

- A) The accrual basis of accounting is used in the recording of assets, liabilities, revenues and expenses.
- B) Intangible assets (Prepaid Non-Compete Agreement, Prepaid Consulting, Deferred Finance Charges and Prepaid Loan Costs) are amortized ratably over the length of the liabilities to which they relate or over the specified contract period.
- C) Depreciation of buildings, docks and equipment is provided by various methods at rates estimated to extinguish the appraisal values of 6/9/70 and costs of the assets acquired subsequently over their estimated useful lives. The same methods and rates are used both for financial reporting and income taxes; however, depreciation expense for income taxes is based only on actual cost of the various assets.
- D) The financial statements are consolidated after all intercompany accounts have been eliminated.

Note 1 - On July 12, 1979 the Corporation acquired all of the outstanding shares of Harris Bay Development Corporation for \$315,000. The excess (\$43,202) of the purchase price (\$315,000) over the September 30, 1979 book value (\$271,798) in the opinion of management is directly identifiable with the real property and equipment owned by the subsidiary corporation and has been accounted for as such.

Note 2 - For the consideration of \$25,000, the former owner of Harris Bay Development Corporation agreed not to compete with the Corporation for a period of five years.

Note 3 - For the consideration of \$75,000, the former owner of Harris Bay Development Corporation agreed to act as a consultant to the Corporation and its subsidiary for a period of ten years.

Note 4 - Prepaid loan costs, attributable to the mortgage and note with the Chemical Bank are being amortized over a period of five years, the term of both loans.

Arthur W. Gotts, Inc.
Notes to the Consolidated Balance Sheet
September 30, 1981

Note 5 - Deferred income represents amounts received in advance from customers for specific services (summer dockage and winter storage) to be performed during periods subsequent to September 30, 1981.

Note 6 - The note to A. Robert Stewart is secured by the following:
(A) a purchase money second mortgage upon the Pilot Knob storage lands and improvements owned by Arthur W. Gotts, individual,
(B) a pledge of all the capital stock of Harris Bay Development Corp., (C) a purchase money second mortgage upon all of the Harris Bay Development Corp. lands and improvements and (D) a purchase money security agreement creating a security interest in and to all the personal property owned by Harris Bay Development Corp.

Note 7 - The mortgage with Chemical Bank is secured by a first mortgage lien on the real property owned by Harris Bay Development Corp. including all floating and/or non-floating docks and facilities.

Mr. & Mrs. Gotts have jointly and severally guaranteed payment of this mortgage.

WOPSEY, CERTILMAN, HAFT, LEBOW & BALIN

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55 BROAD STREET

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(516) 872-6222

June 18, 1983

Yardarm Development Associates
Route 9L
P.O. Box 139
Cleverdale, New York 12820

Re: Yardarm Marina

Gentlemen:

We have been presented with the following questions:

(a) Whether payments of interest made by a member on any loan given to finance the purchase of a membership in Harris Bay Yacht Club, Inc. (the "Club") are a proper deduction in connection with Federal and New York State income taxes payable by the member;

(b) Whether assessments paid to the Club by the members, or any portion of such assessments, are a proper deduction in connection with Federal and New York State income taxes payable by the members;

(c) Whether the Club itself will be treated as an ordinary corporation for Federal income tax and New York State franchise tax purposes;

(d) Whether New York State sales tax will be due on the assessments and the sale of the memberships.

We have given this matter careful study and it is our opinion that pursuant to the provisions of the Internal Revenue

-2-

Code of 1954, as amended (the "Code"), Revenue Ruling 64-31, 1964-1 C.B. 300 and Section 615 of the New York State Tax Law such interest payments are proper deductions by the owner of a membership, in connection with his Federal and New York State income taxes.

However, members of the Club will not be entitled to deduct any portion of assessments or special assessments levied by the Club, for Federal or New York State income tax purposes.

The Club itself should be treated for Federal income tax and New York State franchise tax purposes, as an ordinary corporation, except to the extent Code Section 277 may affect deductions available to the Club as described below. The Club generally should be subject to all the normal rules governing the income and franchise taxation of corporations. For Federal tax purposes the Club should generally be required to pay income tax at the normal corporate tax rates, on the amount, if any, by which its gross income exceeds its allowable deductions. Such deductions should include without limitation depreciation and management fees. For State franchise tax purposes, pursuant to Section 210 of the New York State Tax Law, the Club should be required to pay franchise tax equal to 1.78 mils for each dollar of its total business and investment capital, because this formula should result in the greatest tax as provided by Section 210.

Pursuant to Code Section 277, annual deductions attributable to providing services, facilities or other items of value to members will be allocable during that year only to the extent of income derived during such year from members. To the extent the Club may receive income from members in excess of membership deductions, the taxable income of the Club will be the difference between the total gross income of the Club and its total deductions. Treas. Reg. 1.277-1(d)(1)(i). If, however, the Club sustains a net membership loss, i.e., membership deductions exceed membership income, the taxable income of the Club for that year will be the excess of its membership income over its nonmembership deductions, and the nondeductible net membership losses may be carried over to succeeding taxable years. Treas. Reg. 1.277-1(d)(1)(ii). Based upon the estimated receipts and expenditures of the Club for its first year of operation, as set forth in the Offering Plan, it would appear that the Club will sustain both membership and nonmembership net losses, respectively, with the results that (a) there will be no liability for federal income tax for this first period and (b) carryforward losses will be available in succeeding years. See Treas. Reg. 1.277-1(e)(3). Additionally, it should be noted that the net losses are attributable, in great measure, to non-cash-expenditure items, viz., depreciation and amortization.

On the other hand if the Club is not treated as an ordinary corporation, and is instead found to be a non-profit corporation for Federal income tax purposes, the effect would be substantially the same, since the Club would be substantially exempt from Federal income taxation.

The Club will be treated as a social club for sales tax purposes. The facilities of the Club are private, not public and the membership is restricted, not open to the general public. The assessments and special assessments levied by the Club will be deemed dues under Section 1105 of the New York State Tax Law and the sales tax will be applied to such sums, Matter of Merrick Estates Civic Assn., Inc. v. State Tax Commission, 65 A.D.2d 699, 409 N.Y.S.2d 806 (3rd. Dept. 1978).

The money paid to the Club for the purchase of the memberships will similarly be subject to the payment of the sales tax. Section 1101 of the New York State Tax Law contains a very broad definition of the term initiation fee, namely "...any payment... required as condition precedent to membership..." In Application of Rye Racquet Club and Aljanor Enterprises, Inc., State Tax Commission, Mar. 9, 1970, CCH N.Y.S. Tax Reporter, ¶60-115, the Tax Commission found that membership fees paid to a non-profit corporation as charges for the use of sports facilities are considered luxury expenses subject to sales tax.

This opinion of counsel is based upon existing law, as set forth in current statutes, regulations, rulings and judicial determinations. This opinion is based solely upon the facts, circumstances and conditions set forth above. No assurance can be provided that this opinion will be unaffected by any subsequent legislative, judicial or administrative changes. Any such modifications may have retrospective effect. No assurance can be provided that this opinion will be unaffected by any change of facts, circumstances or conditions from those set forth above.

This opinion is not a guaranty or warranty that the Club will not qualify as a non-profit corporation or that the amount of tax required of the Club will be minimal or that members who pay interest on loans will be entitled to any income tax deductions or that carryforward losses will be available in succeeding years. Under no circumstances will the Sponsor or Counsel to the Sponsor, or any other person be liable if the Club is, in fact, subject to a significant income tax liability or members are not entitled to any income tax deductions, as a result of future changes of fact or law, including statutes, regulations, rulings and judicial determinations. Moreover, none of the aforesaid makes any statements with respect to the

tax consequences of the offering or sale or the tax consequences of ownership of any memberships offered under the Offering Plan except as expressly set forth herein, and no one has been authorized to make any statements other than those herein contained.

Very truly yours,

Wofsey Certilman Haft Lebow & Balin

WALTER O. REHM, III
ATTORNEY AT LAW
175 OTTAWA STREET
LAKE GEORGE, NEW YORK 12845
518-668-5412
518-668-5413

May 10, 1983

Yardarm Development Associates
c/o Yardarm Marina
Route 9L, P. O. Box 139
Cleverdale, New York 12820

Re: Yacht Club

Gentlemen:

Pursuant to your request, I have reviewed the Adirondack Park Agency Act, the New York Environmental Conservation Law and the zoning ordinances of the Town of Queensbury, Warren County, New York, and the Town of Fort Ann, Washington County, New York, all relative to the proposed conveyance of the Yardarm Marina properties from Yardarm Development Associates, a New York Limited Partnership, to Harris Bay Yacht Club, Inc.

In my opinion, the sale and transfer of the marina property to the club and the continued use of the property as a marina, will not necessitate any change in zoning or the filing of any building plans, site plans or other drawings with any local government or state agency. The current use of the marina property constitutes a nonconforming use under current zoning in both the Town of Queensbury, Warren County, and the Town of Fort Ann, Washington County. Accordingly, a future change of use or expansion undertaken by the club must be preceded by a variance from the otherwise applicable zoning.

It is, therefore, my opinion that the intended use of the property by Harris Bay Yacht Club, Inc., and the continued existence of the structures currently located thereon comply with all applicable zoning and land use requirements.

Nothing contained herein is intended as a guaranty or warranty of title to the marina properties or the docks extending into the waters of Lake George therefrom. No representation is made or opinion rendered in relation to future changes in the statutes set forth above or other statutes or rules and regulations promulgated by governmental agencies relating to the marina properties or the future use thereof as a yacht club.

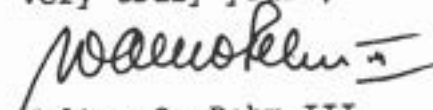
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Yardarm Development Associates

May 10, 1983

I understand that this opinion will be made part of an offering plan for Harris Bay Yacht Club, Inc.

Very truly yours,


Walter O. Rehm III

WOR:bam

CHANGES IN PRICES OR SLIPS

The Club and Sponsor will not make any changes in the size or number of slips or in the size or quality of the Marina property, except by amendment to the Plan. The Club and Sponsor will make no material change in the number of memberships or in the size or quality of the Marina property, unless purchasers who have signed and submitted Subscription Agreements to the Club or any Selling Agent, and are not in default, are given the right for a period of 30 days to cancel their Subscription Agreements and obtain a refund of all monies paid under the Agreement, together with any interest earned on the monies.

The Club and Sponsor will not make any change in the size of a slip or the amount or quality of Marina property directly affecting or servicing a slip, if a Subscription Agreement has been signed and submitted to the Club or any Selling Agent for the slip and the purchaser is not in default, unless the affected purchaser is given the right for a period of 30 days to cancel his Subscription Agreement and obtain a refund of all monies paid under the Agreement, together with any interest earned on the monies.

The sales prices of the memberships may be changed from those set forth in the Plan so that prior or subsequent purchasers may pay different prices for memberships entitling them to use similar slips. Any increase of the offering price set forth in the Schedule beginning on page 6 will be effected by a duly filed amendment to the Plan. Any decrease of the offering price set forth in such Schedule, that is (i) an across the board change affecting one or more classes of slips, or (ii) to be advertised, will be effected by a duly filed amendment to the Plan. The Club reserves the right to decrease the sales price below the price set forth on such Schedule at any time, where the decrease is the result of an individually negotiated sale, without the filing of an amendment.

PROCEDURE TO PURCHASE

The Club hereby presents for sale the memberships which shall entitle the holders to the use of their assigned slips, in accordance with the By-Laws and Rules and Regulations. The offering prices at which the memberships are being presented are shown on the Schedule beginning on page 6. The Club reserves the right to change the offering prices. See the preceding Section titled "Changes in Prices or Slips." Any such change will not change the rights of any prior or subsequent purchaser. However, some purchasers may pay more or less for memberships entitling them to use similar slips.

Any person over 18 years of age may offer to purchase a membership from the Club by signing a Subscription Agreement and submitting it to the Club or any Selling Agent with the required down payment of 10% of the sales price. Purchaser may elect to cancel his Subscription Agreement and obtain a refund of the down payment, within 7 business days after signing and submitting his Subscription Agreement together with the required down payment and receiving a copy of the Plan and any duly filed amendments. To cancel, purchaser must send notice of cancellation, signed by each purchaser who signed the Subscription Agreement, by certified or registered mail, return receipt requested, to the Club. Within 20 days after the purchaser submits a signed Subscription Agreement together with the required down payment, the Club will either (a) accept the Subscription Agreement and return a fully signed counterpart to the purchaser, or (b) reject the Subscription Agreement and refund the down payment submitted. Any conflict between the provisions of the Plan and the Subscription Agreement will be resolved in favor of the provisions of the Plan. The Subscription Agreement does not contain and will not be modified to contain a provision waiving purchaser's rights or abrogating the Club's or Sponsor's obligations under the Plan or Article 23-A of the General Business Law.

The memberships are presented for sale for cash only or partly for cash and partly by the proceeds of a loan from the Club. If the purchaser intends to pay part of the sales price with the proceeds of a loan from the Club, he must demonstrate his intent by signing a Financing Contingency Rider (the "Rider") and submitting the Rider and a completed loan application at the same time he submits his signed Subscription Agreement. If the purchaser submits the Subscription Agreement and the Rider, the Subscription Agreement will be contingent upon the Club's agreement to provide the purchaser with a loan in the amount applied for, as described in the Section of the Plan titled "Financing That May Be Available To Purchaser."

If the Club does not agree to provide the loan within 60 days of the date the Subscription Agreement, Rider and loan application are submitted, the purchaser may elect to cancel the Subscription Agreement within the next 30 days by sending written notice to the Club. If the Club does not agree to provide the loan and the purchaser fails to cancel by written notice, the Subscription Agreement will no longer be deemed contingent upon the Club's agreement to provide the loan. Accordingly, the purchaser will be obligated to pay the balance of the sales price regardless of the availability of financing.

The balance of the sales price will be due 15 days after a written demand is mailed for the payment of the balance. The demand will set forth:

- a) The scheduled Closing Date; and
- b) Notice purchaser may inspect the Marina property 10 days in advance of the Closing Date.

The purchaser will be obligated to pay the applicable sales tax, currently 7%, at the time the balance is due. The demand will not be mailed until:

(a) The Plan is declared effective in accordance with the provisions of the Plan and any duly filed amendments; and

(b) The Closing Date is scheduled for a date within 60 days.

However, if a Subscription Agreement is signed after the Plan is declared effective and the Closing Date is scheduled, then the entire sales price is due at the time the Subscription Agreement is submitted. If the Club has agreed to provide the purchaser with a loan, then that part of the balance equal to the loan, will not be due within 15 days after the written demand, but only if before the end of the 15 day period, the purchaser delivers signed financing and loan documents and checks for the payment of legal fees and sales tax. The financing and loan documents are described in the Section of the Plan titled "Financing That May Be Available To Purchasers." If a loan is being provided by the Club and the purchaser complies with his obligations to:

(a) Pay the legal fees;

(b) Pay the sales tax;

(c) Sign and return the financing and loan documents, witnessed or acknowledged as required;

then only the unfinanced portion of the balance must be paid within the 15 day period. Under no circumstances will the Club be obligated to make a loan to any person who fails to perform any of his obligations under a Boatowner's Agreement.

If a purchaser intends to seek a loan from anyone other than the Club, his Subscription Agreement will not be contingent upon the purchaser obtaining financing and the purchaser will be obligated to pay the balance of the sales price regardless of the availability of financing. Securing a loan is the responsibility of the purchaser alone. If a purchaser intends to seek a loan from anyone other than the Club, he should finalize his financing arrangements before signing and submitting a Subscription Agreement, to avoid the possibility of not having enough money to pay the balance. If a purchaser fails to pay the balance or fails to comply with any of his other obligations under the Subscription Agreement, the Club may decide to cancel the Agreement by sending written notice of its intent to cancel by certified mail. If the Club decides to cancel the Agreement, the purchaser will have 30 days to cure the default. Time is of the essence to cure the default. In other words, there will be no additional time to

cure the default, without regard to any excuse for the default or any justification for a longer period of time to cure the default. If the default is not cured within the 30 days, the Subscription Agreement will be cancelled, and the Club will be entitled as its sole remedy to retain 10% of the sales price as liquidated damages. Any money paid by the purchaser in excess of 10% of the sales price will be returned to the purchaser promptly.

All purchase monies received by the Club, directly or through its agents or employees, will be held in trust and escrow until the Marina property is transferred to the Club or upon default by the purchaser, cancellation, or abandonment or withdrawal of the Plan. All monies received will be deposited promptly in a segregated escrow account entitled "Yardarm Marina Special Account," or similar name, in the First National Bank of Glens Falls, 350 Canada Street, Lake George, New York 12845. The monies will not be commingled with any other funds. The signature of Walter O. Rehm, III, Esq., 175 Ottawa Street, Lake George, New York 12845 will be required to withdraw monies from the account. Sponsor is obligated to see that all purchase monies received are handled in accordance with Sections 352-e(2-b) and 352-h of the General Business Law. The monies so deposited will be disbursed only in accordance with the provisions of the Plan and the Subscription Agreement. If the Plan is abandoned or for any reason the Club does not obtain title to the Marina property, all monies so deposited will be fully returned to the purchasers. Any interest earned on the purchase monies will be paid to purchaser within 20 days of the closing of his membership, or upon a default within 20 days of the expiration of the applicable grace period (if default not previously cured), or upon cancellation of the Subscription Agreement or abandonment of the Plan, within 20 days thereafter. Any interest will accrue to the purchaser at such time as interest is earned. The Club may use the purchase monies so deposited on the Closing Date, to satisfy or pay off or obtain an assignment of the lien of any mortgage encumbering the Marina property, in partial payment of the purchase price of the Marina property. After the Closing Date the Club will be obligated to continue to comply with all the above provisions, except that purchase monies may be released upon the closing of the individual membership.

Upon payment of the balance of the sales price, and the transfer of the Marina property to the Club, the purchaser will become a member of the Club. The provisions governing risk of loss prior to becoming a member are contained in Paragraph 11 of the Subscription Agreement.

FINANCING THAT MAY BE AVAILABLE TO PURCHASERS

The Club is offering permanent financing to qualified purchasers of memberships in the Club consistent with the following provisions.

1. The permanent loans will not be made in an amount in excess of 80% of the sales price of the membership. No points or origination or commitment fees will be charged in connection with the loans.
2. The permanent loans will be self-amortizing and run for a term of 15 years. The loans will be made at the fixed rate of 14% per annum. With a fixed rate loan, the interest rate and the quarterly payments that will include principal and interest, will be constant throughout the term of the loan.
3. Payments will be due quarterly and will include interest and amortization. Payments will be applied first to payment of interest on the loan and then to the payment of the unpaid principal balance of the loan. The amount of each quarterly payment will vary with the amount of the loan.
4. The unpaid principal balance may be prepaid as follows. The prepayment must be made on the same date a quarterly payment is due. The prepayment must be made in the same amount of principal that would have otherwise been due the following quarter or more than one of the following quarters. At least 10 days notice must be given before prepayment.
5. If any sum payable under the loan is not paid within 10 days of the date due, a "Late Charge" in the amount of 4% will be payable.
6. A purchaser who seeks a loan will be required to pay a \$100. application fee to the Club at the time he submits his loan application. A purchaser who is granted a loan by the Club, will be obligated to pay a \$125. legal fee to Wofsey, Certilman, Haft, Lebow & Balin, and a \$75. legal fee to Walter O. Rehm, III, Esq., prior to the Closing Date. The fees are respectively payable for legal services rendered in connection with the preparation and review of the financing and loan documents.
7. At the time a purchaser submits a signed Subscription Agreement for a membership, he must submit a signed Rider and loan application, if he wishes to obtain financing from the Club. The form of the Rider and loan application are set forth in Part II. If the purchaser submits a signed Subscription Agreement without a signed Rider and loan application, he will have waived his right to apply for financing and his obligations under the Subscription Agreement will not be contingent upon obtaining a loan.
8. If the loan application is granted and the Plan is declared effective, the purchaser will be required to sign and deliver the following financing and loan documents, witnessed or acknowledged as required: note, pledge agreement, assignment of

membership, UCC-1 financing statements and disclosure statements. The documents must be delivered within 15 days after the mailing of a written demand. If a purchaser fails to timely deliver the signed documents, he will be in default of his obligations and will have waived his right to obtain the loan.

9. The Club will hold the signed documents until the Closing Date. The Club or its agents will insert the Closing Date in the note. Interest will be charged on the loan commencing on the Closing Date.

10. The note will evidence the loan. The pledge agreement will make the membership collateral to secure repayment of the loan. The pledge agreement will give the Club a lien and security interest in the membership.

11. No loan will be provided to any purchaser who fails to perform any of his obligations under a Boatowner's Agreement. No loan will be provided to any purchaser who fails to timely pay the unfinanced portion of the balance of the sales price, the sales tax and the legal fees, or otherwise defaults on his obligations under the Subscription Agreement. The Club reserves the right to limit the number of sales it will finance to any one purchaser or affiliated purchasers.

12. If a loan is provided it cannot be assumed by or transferred to any other person, without the prior written consent of the Club or any other person who assumes the role of the Club under the loan. The Club and such other person are referred to as the "Secured Party." If a loan is provided, the membership cannot be sold or transferred or pledged as collateral unless the monies owed to the Secured Party are paid before the effective date of the sale, transfer or pledge. If a loan is provided the membership may not be leased without the prior written consent of the Secured Party. The Club will assign all financing and loan documents to Sponsor on the Closing Date, as collateral security for the mortgage that is described in the Section titled "Terms of Mortgage."

13. The Pledge Agreement provides that a failure to comply with any of the purchaser's obligations under the pledge agreement or the note constitutes a default that will entitle the Secured Party to demand payment of all the unpaid principal and other monies owed. The defaults include:

a) The failure to pay within 10 days of the due date any payment of interest or principal;

b) The failure to pay when due any assessment or other monies that are required to be paid to the Club under its By-Laws or Rules and Regulations;

c) The failure to comply with the By-Laws or Rules and Regulations if the failure would entitle the Club to suspend the member's right to use the Marina property;

d) The loss of the slip assigned to the membership by reason of police power, eminent domain or condemnation proceedings;

e) Certain acts of insolvency or bankruptcy;

f) Commencement of a foreclosure proceeding against the Marina property;

g) Approval by the members to dissolve or liquidate the Club or sell the land owned by the Club.

EFFECTIVE DATE OF THE PLAN

1. The sale of the memberships is contingent upon the Plan being declared effective, in accordance with the conditions and time period set forth in the Plan and any duly filed amendment. The following provisions will govern the determination to declare the Plan effective:

a) The Plan will not be declared effective until signed Subscription Agreements of bona fide purchasers have been accepted by the Club for no less than 145 of the 266 memberships;

b) The Plan must be declared effective when signed Subscription Agreements of bona fide purchasers have been accepted by the Club for 90% of the memberships;

c) The Plan may be abandoned by the Club at its option, before it is declared effective or Subscription Agreements have been accepted for 90% of the memberships;

d) If the Plan is not declared effective within 24 months of the date of presentation, the Plan will be abandoned.

If the Plan is abandoned:

a) All monies paid by purchasers will be refunded within 20 days, together with any interest earned on the monies; and

b) The Club will promptly file a notice of abandonment on Form RS-3 or such other form as the Department of Law may require.

The Plan will be declared effective by the giving of written notice to all purchasers. Within 5 business days of giving the notice, the Club will disclose the effectiveness of

the Plan by submitting for filing an amendment to the Plan. At the same time the Club will submit an affidavit verifying that written notice was given.

2. After the Plan has been declared effective, it cannot be abandoned for any reason other than:

a) A defect in title that cannot be cured without resort to litigation or payment of a sum in excess of .5% of the sales price of the Marina property; or

b) Damage or destruction of the buildings and other improvements constituting Marina property that cannot be repaired for less than 1% of the sales price of the Marina property; or

c) The taking of any material portion of the Marina property by police power, condemnation or eminent domain proceedings.

The Marina property will not be transferred to the Club until the amendment disclosing the effectiveness of the Plan has been duly filed. Title to the Marina property will be transferred to the Club on the Closing Date and each purchaser who has paid the balance of the sales price and otherwise complied with his obligations under the Subscription Agreement, will be a member of the Club.

UNSOLD MEMBERSHIPS

Any memberships that are not transferred to purchasers on the Closing Date will remain the property of the Club for subsequent sale, subject to any rights of purchasers who fail to close. To the extent the Club deems it prudent and necessary, the unsold memberships will be leased. If the Club is unable to sell or lease the memberships that are not transferred on the Closing Date, and to the extent favorable sales prices and rentals cannot be secured, the Club will incur an operating deficit. If there is a deficit the Club may increase the assessments or levy a special assessment to raise the necessary money.

It is anticipated that if the Club is unable to sell or lease any of the memberships not transferred to purchasers on the Closing Date, the assessments of the members may be increased to no more than \$1,141. during the first year of operation and no more than \$708. during the second year of operation. However, because the Marina has historically maintained a waiting list of persons desiring slips for the Season, the prospect of such a result appears remote.

To provide for the orderly and effective marketing of any memberships that remain unsold as of the Closing Date, the Selling Agent will be obligated to continue to sell the unsold

memberships after the Closing Date on a best efforts basis. The Selling Agent will be entitled to a commission equal to 4% of the sales price of any such subsequent sales, payable by the Club as provided for in the Selling Agency Agreement more particularly described at page 72. If the Club is unable to sell unsold memberships despite the efforts of the Selling Agent, the Club may in its discretion instruct the Selling Agent to lease such memberships. The Selling Agent will be entitled to a commission equal to 6% of any such subsequent rentals, payable by the lessee. If the Club is unable to sell unsold memberships at the price set forth on the Schedule of the Slip Locations etc. beginning at page 6, and unable to lease unsold memberships at an average rental of \$1,670, through the best efforts of the Selling Agent, the Club may elect to cause the Sponsor to fulfill the following guarantee.

Under the circumstances described above, Sponsor will guarantee the payment of assessments due with respect to any unsold memberships upon the following conditions:

1. Sponsor will have the right to lease any unsold memberships as a designee of the Club, without the consent of the Club for any rents deemed appropriate by Sponsor.
2. Sponsor will have the right to sell any unsold memberships as a designee of the Club, without the consent of the Club for any sales price deemed appropriate by Sponsor which is equal to or in excess of the price set forth on the Schedule of Slip Locations, etc. The Sponsor shall not be entitled to the proceeds of any sales.
3. Sponsor must be given written notice by the Club no later than 90 days prior to the commencement of the Season for the guarantee to be effective.
4. To the extent assessments are due with respect to unsold memberships and such assessments or equivalent sums in the form of rents are unpaid as a result of the inability of the Club, the Selling Agent and Sponsor, to sell or lease such memberships, the assessments due will be paid by Sponsor in the same installments payable with respect to all other memberships. Any installments previously due will be paid by Sponsor upon 30 days notice.
5. Upon the expiration of the Selling Agency Agreement the Club will be obligated to extend the Agreement for two years, or replace the Selling Agent with another selling agent, who will in turn be obligated to continue to sell or lease any unsold memberships on the same best efforts basis. If the Club elects to replace the Selling Agent, the Club must obtain the prior written approval of the replacement by Sponsor, which approval will not be unreasonably withheld.
6. Sponsor's guarantee of the assessments due with respect to an unsold membership terminates upon the sale of a membership to a bona fide purchaser.

7. Sponsor's guarantee of the assessments due with respect to unsold memberships will not cover any assessment or portion thereof which is levied to provide for any of the following expenses:

(i) an increase in the number or a change in the type of employees from those described in the Projected Budget for the First Year of Operation of the Club;

(ii) new or additional services from the services described in the Projected Budget for the First Year of Operation of the Club, unless the annual aggregate cost of all services is equal to or less than the aggregate cost of the services described in the Projected Budget;

(iii) any capital or major improvement, renovation or addition, unless required by law (this limitation will not be applicable to ordinary and necessary repairs);

(iv) creation of any new reserve or increase of the amount of the Contingency Reserve described in the Projected Budget for the First Year of Operation of the Club, provided that any unused portion of such Reserve for any year may be added to the Reserve for the following years.

8. No bond or other security will be furnished to assure Sponsor's ability to fulfill its guarantee. Sponsor's ability to make any required payments will be dependent upon existing market conditions and Sponsor's financial condition and resources. However, if Sponsor fails to fulfill its guarantee, the Club will have the right to offset the amounts owed by Sponsor against the payments due under the Mortgage described below.

TERMS OF MORTGAGE

The Marina property is presently subject to the lien of mortgages held by Chemical Bank, Harris Bay Development Corp., and A. Robert Stewart. Sponsor will satisfy such mortgages on the Closing Date or take such mortgages by assignment and consolidate them with the purchase money mortgage described below and for this purpose may use all or part of the cash payable by the Club on the Closing Date. The Marina property will be conveyed to the Club free from the lien of all mortgages other than the purchase money mortgage that will be given by the Club to the Sponsor, on the Closing Date, in partial payment of the purchase price (the "Mortgage").

1. The Mortgage will be dated as of the Closing Date in an original principal amount not in excess of \$4,760,000. The term of the Mortgage will expire 7 years from the Closing Date. The mortgage will not be self-amortizing. In other words, a balloon payment will be due upon maturity. The amount of the Mortgage will be reduced if there are sufficient sales of memberships without financing and with financing of an amount less than 80% of the sales price. Additional cash realized by the Club as a result of such sales will, to the extent not required to pay closing costs, adjustments and apportionments, be turned over to the Sponsor on the Closing Date in partial payment of the sales price of the Marina property, thereby reducing the

amount of the Mortgage. Assuming that the amount of the Mortgage is not reduced in this fashion, that there are no prepayments under the Mortgage as described in Paragraph No. 5 below, and that all payments required by the Mortgage are made, the reduced outstanding principal balance of the Mortgage that will be due upon maturity will be \$3,329,450. If, in the unlikely event the Club is unable to refinance the Mortgage, or obtain an extension of the Mortgage, or if the terms are considered unfavorable, the Club is unable to obtain an interim loan and had no other funds available, it would be necessary to level a special assessment against each member and each membership in the amount of \$12,516.73 based on the sale of all 266 memberships, in order to pay the outstanding principal balance then due. If the Club refinances the Mortgage the terms may be less favorable than the Mortgage and among other things require larger debt service payments. Sponsor and the Club expect that conventional refinancing of the Mortgage will be available through an institutional lender, based on the value of the Marina property and the additional security provided to the lender by virtue of an assignment of the financing and loan documents and the payments due under such documents.

2. The Mortgage will require payment of interest during the first year of its term at the rate of 8% per annum and the payment of principal and interest during the second year of its term at the rate of 8% per annum. Thereafter, the Mortgage will require payment of interest at the rate of 12% per annum. The interest rate during the first and second years is substantially below the prevailing rates offered by institutional lenders.

3. During the first year of its term the Mortgage will require quarterly payments of interest only, each in the amount of \$95,200. During the second year of its term the Mortgage will require quarterly payments, each in the amount of \$137,593., which will be applied first to interest and the balance in reduction of the unpaid principal. Thereafter the Mortgage will require quarterly payments, each in the amount of \$163,299., which will be applied first to interest and the balance in reduction of the unpaid principal.

4. The Mortgage will require two payments of principal and accrued interest, each in the principal amount of \$150,000. in addition to the regular quarterly and final balloon payments. The first \$150,000. payment will be due upon the earlier of the closing of a total of 208 memberships, or two years from the Closing Date. The second payment will be due upon the earlier of the closing of a total of 266 memberships, or three years from the Closing Date. The Club should have sufficient funds from the sale of memberships to make each of the payments. If there are insufficient funds, it would be necessary to levy a special assessment against each member and membership to pay the principal sum then due on each occasion, in the amount of \$1,034.48, based on 145 memberships.

5. The Mortgage may be in prepaid in whole or in part after the first year of its term upon at least 90 days prior notice. The Mortgage must be prepaid to the extent there are any prepayments under the financing and loan documents and any sales of unsold memberships without financing and with financing of an amount less than 80% of the sales price. The Club will be obligated to pay for all reasonable expenses and costs, including attorney's fees, that may be incurred by the holder of the Mortgage in connection with a prepayment.

6. The Mortgage obligates the Club to maintain the following insurance coverage:

a) Casualty insurance in an amount equal to the maximum insurance replacement value, with standard extended coverage, and windstorm, vandalism and malicious mischief endorsements;

b) Public liability and property damage insurance in the amounts the holder of the Mortgage requires, but never less than \$1,000,000. single limit coverage.

7. The Club will be required to pay to the holder of the Mortgage on a monthly basis, 1/12 of the annual charges for insurance premiums, taxes, assessments and any other charges that may be levied upon the Marina property or may constitute a lien against the Marina property. At present the only charges involved are insurance premiums and taxes. On the Closing Date the Club will deposit with the Sponsor as holder of the Mortgage, a sum which together with the monthly payments, will be sufficient to pay the insurance premiums and taxes, at least 30 days before they are payable. If the amounts of the charges cannot be ascertained the payments will be made based on the estimate of the holder of the mortgage and upon the charges being fixed, the Club will be obligated to pay any deficiency.

8. If any payment required by the Mortgage is not timely made, nor within 3 days after written notice, the Club will be obligated to pay a "Late Charge" to the holder of the Mortgage in the amount of 6% of the overdue payment. The Late Charge is due on the earlier of the date the overdue payment is made or within 3 days after demand.

9. The Club will not pay any points, origination fees, commitment fees, nor any fees of the lender's attorneys. The Club will pay the applicable mortgage tax, approximately \$35,700.

10. The Club will not be authorized to grant any subordinate mortgage without the prior written consent of the holder of the Mortgage. The holder of the Mortgage may not unreasonably withhold its consent.

11. Any breach of any of the Club's obligations under the Mortgage constitutes a default that will entitle the holder of the Mortgage to accelerate the mortgage debt and foreclose the Marina property upon the expiration of any applicable grace period. The events of default and grace periods include the following:

a) Failure to pay principal or interest within 10 days after notice;

b) Failure to pay any tax or other governmental charge or any monthly payments towards taxes and insurance premiums within 10 days after notice;

c) Failure to maintain required insurance within 10 days after notice;

d) Failure to furnish a statement concerning the status of the Mortgage within 10 days of the date due;

e) An assignment of rents or collection of rents more than one month in advance without the consent of the holder of the Mortgage;

f) Actual or threatened waste or alteration of the Marina property except an alteration permitted under the Mortgage;

g) Failure to remove a federal tax lien within 10 days after notice;

h) Failure to comply with any other provision of the Mortgage within 30 days after notice;

i) Failure to discharge a judgment for \$30,000. or more not covered by insurance, within 30 days after entry or affirmance on appeal;

j) Appointment of a trustee, receiver or liquidator;

k) Filing of a petition in bankruptcy or for related creditor relief.

12. The Mortgage includes the following restrictions among others:

a) No removal, demolition or alteration of structure or design of the buildings and improvements without the consent of the holder of the Mortgage;

b) Compliance with all laws, ordinances, regulations, covenants and restrictions;

c) No change in any restrictive covenant, corporate by-law, or other restriction limiting the use of the Marina property without the consent of the holder of the Mortgage;

d) No new liens upon the Marina property and if any are placed they must be promptly discharged;

e) No modification of any security agreement or mortgage affecting the Marina property without the prior consent of the holder of the Mortgage;

f) No sale, transfer or mortgage of the Marina property without the consent of the holder of the Mortgage;

g) If the Marina property is damaged the property must be restored so that upon completion it will be at least equal in value and of substantially the same character as prior to the damage.

13. As collateral security for the performance of the Club's obligations under the Mortgage, it will sign and deliver to Sponsor on the Closing Date:

a) Assignment of rents including the Club's interest in all leases and memberships and the rent, assessments and other payments due under leases, the By-Laws and Rules and Regulations;

b) Assignment of financing and loan documents and the principal and interest and other payments due under the financing and loan documents.

Except for any prepayments, the Club's right to receive the rents, assessments, principal, interest and other payments, will not be affected by the assignments unless there is a default under the Mortgage that is not cured within the applicable grace period. Any prepayments under the financing and loan documents will be turned over to the holder of the Mortgage, reducing the unpaid principal balance. If there is a default under the Mortgage which is not cured before the expiration of any applicable grace period, the assignments in effect give the holder of the Mortgage all the rights and powers of the Club. The assignments contain broad indemnification (compensation) and exculpation (exclusion of liability) provisions in favor of the holder of the Mortgage.

A recognition agreement will be signed on the Closing Date to assure Sponsor of its security under the assignment of financing and loan documents. A copy of the recognition agreement is an exhibit to the Contract of Sale.

THE CLUB

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 266 memberships. Only natural persons can be members.

Rights of Membership

(a) The By-Laws confer the following rights in the members:

(1) Assignment of one slip for a boat to each membership. The maximum draft, length and width of the boat will be fixed on the date of assignment in accordance with the Schedule of Slip Locations, etc.

(2) Expeditious repair or replacement of any slip or dock by the Club in the event of repair, replacement, casualty or a governmental taking.

(3) If a member is deprived of his right to use the slip assigned to his membership because of repair, replacement, casualty or a governmental taking, the Club will be obligated to provide a comparable substitute slip if any are then assigned to a membership owned by the Club and the membership is not leased. In such case the member would be obligated to pay any assessments but not special assessments that would otherwise be payable by a holder of the membership to which the substitute slip is assigned. The member would remain obligated to pay any assessments due by virtue of his own membership.

(4) If a member is deprived of his right to use the slip assigned to his membership and or a replacement, for two consecutive Seasons, as a result of repair, replacement, or casualty, he will be entitled to damages equal to the former fair market value of his membership. If the member and the Club cannot agree on the amount of damages, the issue will be resolved by arbitration.

(5) If a member is deprived of his right to use the slip assigned to his membership and or a replacement, for two consecutive Seasons following a governmental taking, the member will be entitled to his allocable share of the award for the taking. If the award does not specify an amount and the member and the Club cannot agree on the amount, the issue will be resolved by arbitration.

(6) Except as described above, no member will be entitled to any damages or compensation nor any reduction of assessments, as a result of the loss of or damage to the slip assigned to his membership.

(b) The Rules and Regulations confer the following rights in the members:

(1) One parking space on the Marina property for each membership.

(2) Storage of one boat. Indoor storage is available on a first come first served basis with a priority given to members who leased indoor storage space the prior off-Season. The Club will impose reasonable storage fees for indoor Storage. Outdoor storage of one boat is available to the remaining members without charge.

(3) Launching and removal of one boat at the commencement and termination of the Season in the order determined by the Board or any management agent.

(4) Use of the lounge, restrooms and showers in the main office building.

(c) Under the provisions of a Commissioning/Decommissioning Agreement with Scotia, each membership's boat will be entitled to the services described in the Subsection titled "Scotia Marine North, Inc. Commissioning/Decommissioning Contract," beginning at page 73.

Sale or Lease of Memberships

Except as described in the following paragraph, no membership may be sold, assigned or transferred without the prior approval of the Club, which approval may be arbitrarily withheld. The Board must be given written notice of the proposed transferee, a copy of the pertinent agreement and any other information and interview, the Board may reasonably require. The Board must approve or disapprove the proposed transfer within 21 days. The lease or rental of a membership is considered a transfer. No membership may be leased or rented for any term less than a Season as defined by the Rules and Regulations. No membership may be sublet or licensed. All members must be natural persons.

The following transfers do not require the approval of the Club: (a) by or to the Club or its designee; (b) by a member to his spouse; (c) by a joint tenant to a fellow joint tenant. Sponsor will be a designee of the Club in connection with financing and loan documents assigned to Sponsor.

Restrictions

1. No member may in any manner alter or in any manner change the appearance of the slip assigned to his membership. No membership will entitle more natural persons on the Marina property than can be safely accommodated, as determined by the Board or any management agent.

2. No trucks with a maximum gross weight in excess of 9,000 pounds may be parked on the Marina property without the authorization of the Board or any management agent. All motor homes, recreational vehicles, campers, trailers and similar vehicles must be parked in designated area(s) on the 10.58 acre parcel of land on the southerly side of Route 9L. Passenger and all other permitted vehicles must be parked in the lot located on the 7.58 acre parcel of land located on the northerly side of Route 9L. No more than one vehicle is permitted on the Marina property for each membership unless otherwise authorized by the Board or any management agent. No vehicle may be operated in

excess of 5 miles per hour on Marina property. Except as otherwise provided for, no vehicle may be operated on any Marina property other than the accessways to Route 9L, unless authorized by the Board or any management agent.

3. The slips assigned to the memberships must be used solely for docking a single pleasure or recreational boat or vessel, plus any lifeboat or dinghy normally carried on board. Except as otherwise provided in this paragraph, the use of any slip assigned to a membership for any commercial purpose is strictly prohibited. While docked or moored in a slip no boat may be used as a residence. The Club or its designee may use any slip owned by the Club or its designee as a model or sales office, or for the sale of fuel and marina products, or for the maintenance or repair of boats.

4. No harassing, menacing, noxious, unsanitary, hazardous or illegal use may be made of any Marina property. No member may allow anything to be done which would increase the cost of insurance coverage to the Club, impede or interfere with the rights of other members, or annoy them with unnecessary or unreasonable noise or other irritant.

5. The Marina property may only be used by members, their accompanied guests; approved lessees of memberships; and lessees, employees, agents and licensees of the Club. No person under the age of 16 years will be permitted on the Marina property unless accompanied and supervised by a parent-member or other adult-member. No pets other than cats or dogs will be permitted on the Marina property and then only for the purpose of embarking on and disembarking from boats. A cat or dog must be leashed or carried. Any dog feces must be promptly disposed of.

6. No boat is permitted in any slip assigned to a membership unless the Club or any management agent is provided with satisfactory documentation establishing the boat is owned by the member to whom the slip is assigned or an approved lessee.

7. No foreign materials may be allowed into the water about the Marina property. Garbage must be deposited in receptacles provided by the Club. Other foreign substances must be deposited in receptacles the Club may elect to provide or removed from the Marina property by the members.

8. All boats must comply with Section 33-a of the Navigation Law. Prior to the commencement of each Season, the Club must be provided with an affidavit of compliance with and documentary proof of inspection under Section 33-a.

9. No swimming, diving, fish cleaning, fishing, windsurfing, bathing or similar activity is permitted. No picnics and no barbecues are permitted except in such grills and areas as the Board or any management agent may authorize. No laundry,

wash or other article may be hung outside a boat, except in such areas as may be designated by the Board or any management agent. No sign, notice, advertisement, solicitation, promotion or sale may be made without the approval of the Board or any management agent. Smoking and the use and possession of open flames and fuels are limited by the Rules and Regulations. No boat may be repaired, painted, overhauled or altered without the approval of the Board or any management agent.

10. No personal property may be stored unless authorized by the Board or any management agent. The slips and docks must be kept clear of personal property with limited exception. Any lifeboat or dinghy must be stored aboard the boat or tied in the same slip.

11. The right of the members to use the slips assigned to their memberships is limited to the "Season." Subject to extraordinary weather conditions, the Season will begin on or about the weekday immediately preceding the Memorial Day holiday weekend and end on or about the weekday immediately following the Columbus Day holiday weekend. The Season may be changed by the Board by amendment to the Rules and Regulations. No boats will be permitted on the 7.58 acre parcel of land on the northerly side of Route 9L, after the Monday preceding the the Memorial Day holiday weekend, without the approval of the Board or any management agent.

12. No person may enter any storage building or shop unless accompanied by an employee or officer of the Club or any management agent. No parties, meetings or other organized gatherings may be held in the main office building without the approval of the Board or any management agent.

Mortgage

The Club's ownership of the Marina property and the members' right to use the Marina Property, are subject and subordinate to the lien of the Mortgage described in the Plan. If the Club fails to make the required quarterly debt service payments or otherwise breaches its obligations under the Mortgage, the holder of the Mortgage may commence a foreclosure proceeding. Foreclosure would result in the sale of the Marina property to pay off the Mortgage and the loss of the members' rights to use the Marina property.

Insurance

Each member is obligated to maintain, at his own expense, personal liability insurance for injury to the person or property of another, while on any boat docked at the slip assigned to the membership or which may at the member's request be otherwise located on the Marina property. The Club must be named as a co-insured under the liability policy and furnished with certificates

that demonstrate the required coverage. The Board will fix the amount of coverage required. Initially the Board will require coverage in the amount of \$1,000,000/\$1,000,000/\$1,000,000. Upon reasonable notice, the Board will deny use of the Marina property to any member who fails to furnish the Club with the required certificates, until they are furnished.

Marina Property

The Club will own a total of approximately 43.69 acres of land in the Town of Queensbury and approximately 4.66 acres of land in the Town of Fort Ann. The Sponsor will not add any other land to the property that will be transferred to the Club as otherwise described in the Plan.

Incorporation

The Club was incorporated pursuant to the Not-for-Profit Corporation Law on December 16, 1982.

Board of Directors

The number of directors of the Club will be not less than 3 and not more than 7. All directors, other than (a) the initial directors designated by the Sponsor and; (b) the person who shall hold the office of president immediately prior to the first annual meeting who will be appointed a director by reason of his office or former office to 3 successive terms, must be members of the Club. Unless otherwise voted by the membership, at the first annual meeting of members and all subsequent meetings of members, they will elect 7 directors subject to the right of appointment of the president or former president to 3 successive terms as one of the 7 or such other number of directors. The first annual meeting will be held within 60 days of the Closing Date.

Directors may be removed for cause by an affirmative vote of a majority of the memberships. Any officer may be removed with or without cause, at any time, by the affirmative vote of a majority of the whole Board of Directors.

Each member will have one vote for each membership held. No more than one vote will be allowed for each membership. If more than one person holds a membership, the holders of the membership must designate the holder entitled to cast the vote attributable to the membership, in a written instrument filed with the Secretary.

The directors will be elected by plurality vote. Cumulative voting is prohibited. Each membership will have one vote for each director to be elected. The By-Laws may be amended with the affirmative vote of 66-2/3% of all memberships. The Board is empowered to levy a special assessment or take other action of the Board upon the majority vote of the directors present.

The current officers and directors of the Club are Thomas W. Eagan, Paul M. Legac and Francis B. Legac. Thomas W. Eagan and Francis B. Legac are principals of Sponsor. Paul M. Legac is a limited partner of Sponsor and father of Francis B. Legac.

Assessments

Assessments will first be levied on the Closing Date. Assessments may be increased or decreased upon the majority vote of the directors present. The assessments and any delinquent assessments will be collected by the Club or any management agent. Unpaid assessments are the personal obligation of the member. If more than one person holds the membership, each is jointly and severally liable for the payment of assessments. In other words, any one of several holders may be required to pay the entire sum owed. If any assessment or installment is not paid within 20 days of the date due, the unpaid sum will bear interest at the maximum rate permitted by New York law. To secure the payment of assessments, the Club is given a lien and security interest in the membership. The lien and security interest also covers any interest, attorney's fees and costs of collection or enforcement. The lien and security interest of the Club will, to the extent permitted by law, have a priority over all other liens and security interests. During any period of time in which a member shall be in default on the obligation to pay assessments, or other monies owed to the Club, the right of the member to use the Marina property, may upon reasonable notice be suspended until the monies owed are paid. The same right may be suspended after notice and a reasonable opportunity to be heard, for a period not to exceed 60 days, for a violation of the By-Laws or Rules and Regulations. The By-Laws do not authorize the suspension of voting rights for non-payment of assessments or other monies owed to the Club.

Control By Sponsor

Sponsor will not own any membership on or after the Closing Date, except for any memberships that may be reacquired in the event of a default on any permanent loans that are assigned to Sponsor. As a result, after the election of the Board at the first meeting of the members, Sponsor will not control the Board. However, the person who will be president of the Club immediately prior to the first annual meeting, will by reason of his office and subsequently by reason of his former office, be appointed a director. The Club anticipates that Thomas W. Eagan, a principal of Sponsor, will be president of the Club immediately prior to the first annual meeting.

As long as there are unsold memberships, the Club will be obligated to cause the Plan to be amended to disclose material changes in the budget and the prior year's certified financial statement.

GOVERNMENT APPROVAL

In the opinion of Walter O. Rehm, III, Esq., the transfer of the Marina property to the Club and the continued use of the property as a marina will not necessitate any change of zoning or the filing of any building plans, site plans or other drawings with any local government or State agency. The Marina property is a non-conforming use under current zoning. Accordingly, a future change of use or expansion undertaken by the Club must be preceded by a variance from otherwise applicable zoning.

The majority of the land located in the Town of Queensbury is zoned Land Conservation - 42 acres. A small portion of the land located in the Town of Queensbury is zoned Lakeshore Residential - 1 acre. The land located in the Town of Fort Ann is zoned Residential.

OBLIGATIONS OF SPONSOR

(a) No certificate of occupancy has been issued by the Town of Queensbury for any building constituting Marina property other than the main office building. The other buildings were erected prior to the enactment of a local law requiring building permits and certificates of occupancy. The Marina property has and must continue to be operated as a marina.

(b) The Marina property will be conveyed by Sponsor to the Club contemporaneously with the issuance of the first membership under the Plan. The Club and the purchasers will accept the buildings, improvements, fixtures, equipment and personal property in their condition on the Closing Date, there being no obligation on the part of Sponsor to make repairs or improvements except as otherwise provided in the Plan. THERE ARE NO EXPRESS WARRANTIES OTHER THAN THOSE SPECIFICALLY SET FORTH IN THE PLAN AND SPONSOR HEREBY DISCLAIMS ANY IMPLIED WARRANTIES.

(c) Sponsor agrees to pay for authorized and proper work in the establishment and sale of the Club, except as otherwise provided in the Plan, including without limitation, advertising, surveying and engineering services. The cost of printing the Plan, mailing the Plan and Amendments, legal services for the Club, an owner's fee title insurance policy, the mortgage tax and deed transfer tax will be the obligation of the Club.

(d) Sponsor will defend any suits or proceedings arising out of Sponsor's acts or omissions in connection with the establishment and sale of the Club and indemnify the Club from any liability arising out of Sponsor's acts or omissions in connection with the establishment of the Club, the sale of the memberships, the acquisition, ownership or operation of the Marina property.

(e) The obligations of Sponsor that survive the delivery of the deed to the Marina property are described at page 70.

(f) No bond or other security has been furnished to secure any of Sponsor's obligations under the Plan.

(g) The Sponsor will cause the Club to initially procure casualty insurance on a replacement cost basis.

(h) The Sponsor will convey title to the Marina property, free and clear of all liens and encumbrances, other than those described in the Section titled "Contract of Sale."

(i) Sponsor may be dissolved or liquidated at any time. There are no current plans to liquidate or dissolve the Sponsor. The mere dissolution or liquidation of the Sponsor should not have any material effect on Sponsor's obligations under the Plan. The general partners of the Sponsor are presently personally liable for the contractual obligations of the Sponsor. The general partners of the Sponsor will remain personally liable for the prior contractual obligations of the Sponsor after dissolution or liquidation.

CONTRACT OF SALE

By agreement dated July 27, 1983 (the "Contract of Sale"), the Sponsor contracted to sell the Marina property to the Club subject to the lien of the Mortgage. The following is a summary of certain principal terms of the Contract of Sale not previously discussed.

1. The sales price is \$5,085,000. It will be paid as follows:

- a) Payment of \$325,000. in cash on the Closing Date;
- b) Delivery of the Mortgage and attendant Note on the Closing Date.

2. The Club will acquire the Property free and clear of all liens, encumbrances and exceptions other than the following:

(a) Defects and encumbrances in title arising or becoming a lien after the Closing Date.

(b) Consequences of the exercise and enforcement or attempted enforcement of any governmental war or police powers over the Marina property.

(c) Any laws, regulations or ordinances (including, but not limited to zoning, building and environmental protection) as to use, occupancy, subdivision or improvement of the Marina property adopted or imposed by any governmental body, or the effect of any non-compliance with or any violation thereof.

(d) Judgments against the Club or estates, interests, defects, objections, liens, or encumbrances created, suffered, assumed or agreed to, by or with the privity of the Club. However, Sponsor will certify on the Closing Date that there are no such judgments or will bond same.

(e) Title to any property beyond the lines of the Marina property, or title to areas within or rights or easements in any abutting streets, roads, avenues, lanes, ways or waterways, or the right to maintain therein vaults, tunnels, ramps or any other structure or improvement, unless a title insurance policy specifically provides that such titles, rights or easements will be insured.

(f) Ordinary rights of access and egress belonging to abutting owners.

(g) Title to any personal property, whether the same be attached to or used in connection with the Marina property or otherwise.

(h) Rights, if any, of present tenants, lessees or persons in possession of the Marina property (including without limitation Scotia under the lease described beginning at page 74 and signatories to Boatowner's Agreements).

(i) The terms and provisions of the Plan.

(j) The lien of any unpaid real estate taxes, school taxes, water charges, or sewer rents (to be apportioned and paid on the Closing Date so that the title company selected by Club may omit same as an exception).

(k) Encroachments of stoops, fences, areas, cellar steps, retaining and brick yard walls (and other walls), trim, fire escapes, hedges, trees, vent pipes, windows and window sills, doorways, cornices, iron doors, light brackets, projecting air conditioning units or equipment, if any, upon any abutting streets, highways or adjoining sidewalks and buildings, if any.

(l) Easements and other rights of public and private utilities to install, replace, repair and maintain lines, poles, guy wires, pipes and equipment.

(m) Underground encroachments and easements, if any, including pipes and drains, and such rights as may exist for entry upon the Marina property to maintain and repair the same.

(n) The lien of any unpaid franchise or corporation taxes with respect to any corporation in the chain of title provided that a title insurance company agrees to insure the Club against the collection thereof out of the Marina property.

(o) Existing union, service and concession contracts, as the same may be renewed or extended, and such substitute contracts as may be in force and effect on the Closing Date.

(p) The Mortgage described in the Plan.

(q) UCC financing statements filed by or assigned to the holder of the Mortgage described in the Plan or filed against tenants and lessees in possession.

(r) Variations between record lot lines of the Marina property and those shown on the tax maps of the Counties of Warren and Washington, if any.

(s) Air rights, leases or agreements of conveyance, if any, that do not prohibit the present use of the Marina property.

(t) State of facts shown on:

(i) Map of survey entitled "Map of lands of Yardarm Development Associates" Town of Queensbury, Warren County, New York, dated May 24, 1982, by Coulter and McCormack, shows vacant 25.53 acre parcel on southerly side of New York Route 9L; shows 10.58 acre parcel improved by two (2) boat storage buildings on southerly side of New York State Route 9L (not contiguous with 25.53 acre parcel), and shows 7.58 acre parcel on northerly side of Route 9L with frontage on Lake George, Harris Bay, improved ship's chandlery building and various docks extending into Lake George from shoreline;

(ii) Map of survey entitled "Map of lands of Yardarm Development Associates", being part of Lots 51 and 53, Lake George Tract, Town of Fort Ann, Washington County, New York, dated June 16, 1982, by Coulter & McCormack, shows parcel improved by two (2) sheet metal storage buildings;

and any state of facts an accurate survey and personal inspection of the Marina property after May 24, 1982, would show, provided such state of facts would not render title both unmarketable and uninsurable.

(u) Easement granted to New York Telephone Company in Liber 120 cp. 512.

(v) Easement granted to New York Telephone Company in Liber 186 cp. 355.

(w) Easement granted to New York Telephone Company in Liber 186 cp. 356.

(x) Rights of others to lay and maintain water pipes as granted in Liber 205 cp. 90.

(y) Any defect in or lack of title to any land lying in the bed of Route 9L.

(z) Any defect in or lack of title to any land lying in the bed of Assembly Point Road.

(aa) Any defect in or lack of title to any land lying in the bed of any road adjoining the Marina property.

(bb) Right of the Town of Queensbury and/or Lake George to open Assembly Point Road to a width of not less than three (3) rods without the payment of compensation.

(cc) Terms, conditions and provisions in Liber 396 cp. 158 concerning old road.

(dd) Right-of-way in Liber 536 cp. 551.

(ee) Rights of others to use right-of-way as granted in Liber 205 cp.90.

(ff) Any defect in or lack of title to any land lying below the high water line of Lake George as the same now exists or formerly existed, provided that a title insurance company agrees to insure contiguity to the waters of Lake George.

(gg) Riparian rights of others than the Club, in, to and over the waters of Lake George.

(hh) Any lack of or defect in, riparian rights in favor of the Marina property.

(ii) Right of the United States Government to change and alter the harbor, bulkhead and pierhead lines adjacent to the Marina property and to establish harbor, bulkhead and/or pierhead lines different from the present lines, if any, without compensation to the Club.

(jj) Right of the United States Government and the State of New York, through their various departments or agencies, to regulate the use of land under water, piers, wharves, docks or other property adjacent thereto without compensation to the Club.

(kk) Gold and Silver mines reserved to the State of New York.

(ll) Rights of others to drain through creeks or streams, if any, which cross the Marina property and the natural flow thereof.

Notwithstanding the foregoing, the Club is obligated to accept title to the Marina property provided that a title insurance company, that is licensed to do business in the State of New York and a member of the New York Board of Title Underwriters, is willing to insure fee title in the Club, subject only to the provisions of the Contract of Sale and the standard printed exceptions contained in the standard form of title insurance policy then used by such title insurance company.

3. (a) The Sponsor will, without expense to the Club, cure or cause to be cured or removed, any violations of record against the Marina property (except violations caused by acts or omissions of tenants, lessees or other occupants), as of midnight of the day preceding the Closing Date, all work orders of insurance carriers and mortgagees made on or prior to such Date, and all dangerous and hazardous conditions in existence on or prior to such Date, either by the Closing Date or within a reasonable time thereafter provided the Sponsor promptly commences and diligently pursues the removal or curing of same.

(b) In the event that the aggregate cost to cure or remove the aforementioned violations of record, work orders of insurance carriers and mortgagees, and dangerous and hazardous conditions, exceeds .5% of the sales price, the Sponsor has the option not to cure such violations, work orders and conditions and to abandon the Plan.

4. The deed will be a Bargain and Sale Deed (with covenant against grantor's acts) in proper statutory short form for recording and shall be duly executed and acknowledged so as to convey to the Purchaser fee simple title to the Marina property.

5. On the Closing Date, the Club will purchase title insurance from American Title Insurance Company in the amount of the sales price insuring its fee title to the Marina property. If the Club has insufficient funds to pay the cost, the Sponsor shall loan the Club the necessary funds. In such event, the amount of the loan will be added to and the loan will be repaid with interest in installments, pursuant to, the serial promissory notes described in subparagraph 10(c) below.

6. Except for those fixtures and articles of personal property owned by tenants, lessees or other occupants of the Marina property, all fixtures and articles of personal property attached or appurtenant to or used in connection with the Marina property other than the vehicles and equipment described in the Management Agreement, shall on the Closing Date, be owned by Seller free from all liens and encumbrances except as herein stated, and are included in this sale; without limiting the generality of the foregoing, such fixtures and articles of personal property include any and all plumbing, heating, lighting and cooking fixtures, air

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(vii) deposits with utility companies and fees for assignable permits and licenses; (viii) realty advisory board charges, if any, (ix) at Seller's option, premiums on existing insurance policies or renewals of those expiring prior to the Closing Date and (x) any other items customarily apportioned on conveyances of commercial properties in the County of Warren.

(b) The Club shall also pay to the Sponsor: (i) escrow funds to be held by the Sponsor as holder of the Mortgage described in the Plan; (ii) reimbursement for supplies, spare parts, tools and equipment at the Sponsor's cost; and (iii) the cost of printing the Plan and mailing the Plan and amendments.

(c) If the net closing apportionments and payments referred to above are in favor of the Club, the amount thereof will be paid to the Club on the Closing Date. If the net closing apportionments and payments are in favor of the Sponsor, they will be paid to the Sponsor out of the proceeds of the offering and sale of memberships to the extent of not more than excess cash exclusive of assessments, and the payment of any balance owing shall be deferred and paid to the Sponsor in four (4) equal consecutive quarterly (4 times a year) installments commencing on the first day of the first full calendar month following the Closing Date, together with interest at the rate of twelve (12%) percent per annum, pursuant to negotiable serial promissory notes to be executed by the Club and delivered to the Sponsor on the Closing Date (each such note will contain a provision permitting acceleration of the maturity date in the event of a default under any other note). Each promissory note shall be prepayable by the Club in full at any time, without penalty, but with interest accrued to the date of prepayment.

11. The Club will be required to pay mortgage recording tax, deed transfer tax, the premium for fee title insurance, and its attorney's fees. The funds to pay these expenses shall be loaned to the Club if it does not have sufficient funds on the Closing Date. The sum loaned will be added to and repaid pursuant to the serial promissory notes described in subparagraph 10(c). Sponsor will be required to pay the simultaneous premium for mortgagee title insurance, its attorney's fees the fees for recording the deed and mortgage and any sales tax levied on the personal property conveyed to the Club.

The deed transfer tax is estimated to be \$20,340. The premium for fee title insurance is estimated to be \$13,200. based on coverage in the amount of the sales price. The mortgage tax is estimated to be \$35,700. The attorney's fees will be \$5,000. in connection with the conveyance of title to the Marina property and the first meeting of members.

12. Sponsor reserves the right to remove tenants, lessees and signatories to Boatowner's Agreements who fail to honor their obligations under applicable laws, their leases or tenancies or Boatowner's Agreements as the case may be, and to rent or hold

vacant any commercial space vacant on the date of acceptance of the Plan for filing or that becomes vacant thereafter (with or without the Sponsor's consent).

13. The Club will assume the obligations of the Sponsor for all union, service, employment and concession contracts in existence on the Closing Date, as the same may be renewed or extended and such substitute contracts as may be in force on the Closing Date, from and after the Closing Date.

14. The Sponsor and the Club each agree to comply with all their respective obligations as provided in the Plan. In the case of a conflict between the terms and provisions of the Contract of Sale and those of the Plan, the terms and provisions of the Plan will prevail.

15. On the Closing Date, the Sponsor agrees to furnish the Club with casualty and liability insurance policies or binders, providing the coverage described in the Plan. The cost of existing transferable insurance policies or renewals shall be apportioned as provided in Paragraph "10". The cost of any new policies shall be the exclusive obligation of the Club.

16. Sponsor will assign to the Club any transferable manufacturers warranties with respect to equipment and appliances transferred to the Club.

17. In the event that (a) the Plan is abandoned or for any reason is not declared effective within the time prescribed in the Section titled "Effective Date", or (b) title does not close in accordance with the terms of the Contract of Sale because the Sponsor is unable to convey good and marketable or insurable title to the Marina property in accordance with the terms of the Contract of Sale, the Club will comply with its obligations under the Plan relating to the refund of payments made by persons who have executed Subscription Agreements, the Contract of Sale will be deemed cancelled and of no further force and effect and neither the Club nor Sponsor will have any rights, claims or demands against the other except that Sponsor will be obligated to pay any and all expenses incurred by the Club up to the date of such cancellation for which the Sponsor is responsible under the provisions of the Contract of Sale.

Risk of Loss

The Subscription Agreement provides that:

(a) If purchaser is the current occupant or user of the slip assigned to the membership, or if the Purchaser is given the right to use the slip under an interim Boatowner's Agreement or otherwise, only the purchaser will be liable for any damage resulting from his use or occupancy of the slip. Neither the

Sponsor nor the Club will be obligated to make any repairs to the slip, except as follows. Prior to the Closing Date the Sponsor will be obligated to make any repairs required of Sponsor under any current or interim Boatowner's Agreement. After the Closing Date the Club will be obligated to make repairs and the Purchaser will be obligated to pay for all or part of the repairs, as described in the By-Laws and Rules and Regulations.

(b) If the slip is damaged by casualty or otherwise while the purchaser is the user or occupant, the purchaser will bear the risk of loss unless the cause of the damage, was not an act or omission of the Purchaser or any person permitted on the Marina property by the purchaser. All other risk of loss prior to the Closing Date has been assumed by the Sponsor to the extent described in the Plan. If the cause of the damage was not an act or omission of the purchaser or a person permitted on the Marina property by the purchaser, and the slip is not repaired by the Closing Date, then upon the request of the purchaser, the Subscription Agreement will be cancelled and all monies paid under the Agreement will be refunded to the purchaser, if the Agreement is still in effect and the purchaser is not in default of his obligations under the Agreement beyond the applicable grace period. Under no circumstances will the Sponsor be obligated to repair any damage that may occur after the Closing Date.

(c) If purchaser is obligated to repair the damage to the slip assigned to his membership, the purchaser's failure to make the repair will not excuse him from paying the balance of the purchase price and accepting the membership. If the Sponsor is obligated to make the repair, the purchaser is not required to pay the balance or accept the membership unless and until: (i) the slip has been substantially repaired to as near as reasonably possible to its condition immediately prior to the damage, and (ii) electricity and the dock providing access to and from the slip have been restored.

Survival of Obligations

The following obligations of the Sponsor are to be performed after Closing and accordingly survive delivery of the deed to the Marina property:

1. If Sponsor is unable after reasonable effort to cure or cause to be cured, by the Closing Date, any violations of record against the Marina property (except violations caused by acts or omissions of tenants, lessees, or other occupants) as of midnight of the date preceding the Closing Date, comply with all work orders of insurance carriers and mortgagees made on or prior to such date, and cure all dangerous and hazardous conditions in existence on or prior to such date, the same will be cured or performed within a reasonable time thereafter.

2. The initial directors and officers of the Club, who are associated with Sponsor, will resign in favor of the directors and officers to be elected by the members and directors at meetings to be held within 60 days after the Closing Date.

MANAGEMENT AGREEMENT AND OTHER CONTRACTS

Management Agreement

The Club will enter into an agreement with YMI, an affiliate of Sponsor, effective as of the Closing Date for the management of the Marina property (the "Management Agreement"). YMI maintains an office at Route 9L, Cleverdale, New York 12820. The Management Agreement will have a term of 3 years, subject to earlier cancellation upon 30 days notice if the Club or YMI is in default of any of their material obligations or engaged in a continuing violation of law, as more fully described in the Agreement

The Management Agreement provides for annual compensation in the amount of \$67,500. and a fee of \$250. in connection with each sale, assignment or other transfer of a membership. The Management Agreement obligates YMI to perform the following services among others: (a) hire, supervise and discharge employees; (b) cause the Marina property to be maintained as a seasonal marina; (c) enter into contracts for utilities and services; (d) purchase supplies and materials; (e) cause insurance coverage to be maintained; (f) check and pay bills, mortgage payments and taxes; (g) offer memberships for sale or lease and lease and sublease portions of the Marina property at the request of the Club; (h) act as transfer agent for transfer of memberships; (i) supervise the launching and removal of boats, the storage and winterization of boats; (j) bill members and tenants for assessments and rent; (k) attend to complaints of members; (l) file necessary employment forms; (m) render monthly statements of collections and disbursements; (n) set up and maintain accounting records (other than books of account); (o) cooperate with the Club's accountants in the preparation of tax returns; (p) send reports and notices to the members; (q) prepare annually an operating budget; (r) assist the Club's attorneys in tax certiorari proceedings; (r) take action to cause all persons to comply with law, the By-Laws and Rules and Regulations.

The Management Agreement provides that during its term YMI will provide the Club and its employees with the following vehicles and equipment that are currently owned by YMI: (a) 1979 Ford pick-up truck; (b) 1978 Ford pick-up truck; (c) 1968 Ford dual-wheel one-ton truck; (d) Dodge semi-tractor; (e) 25 ton Garwood Crane; (f) Hyster 11,000 pound fork truck; (g) Hyster 10,000 pound fork truck; (h) three Clark tractors; and certain trailers, equipment and tools more specifically described in the agreement. The Club will be obligated to maintain comprehensive liability insurance

for the operation of the vehicles and to pay the cost of maintenance and repair of the vehicles and equipment. YMI will not be required to furnish replacement vehicles.

The Management Agreement gives YMI the exclusive right to occupy the second floor of the main office building during the entire term of the Agreement and the right to use the shop located in the large storage building on the 10.58 acre parcel located on the southerly side of Route 9L, from March 15 through October 1 of each year during the term of the Agreement. The Management Agreement obligates YMI to pay the cost of heating the shop during the time YMI is entitled to use the shop.

The Management Agreement provides YMI will not be liable for any loss or damage not caused by YMI's own gross negligence or wilful failure to comply with its obligations. The Club will be obligated to indemnify YMI from any cost or expense arising out of (a) injury to person or property unless caused by YMI's own gross negligence or wilful failure to comply with its obligations; and (b) any cost or expense for all acts properly performed by YMI pursuant to the instructions of the Club.

The Management Agreement may not be assigned by the Club or YMI.

Selling Agency Agreement

YMI is the Selling Agent under the Plan. The Club will enter into an agreement with YMI, effective as of the Closing Date for the sale or lease of any unsold memberships (the "Selling Agency Agreement"). The Selling Agency Agreement will have a term of three years, subject to earlier cancellation upon 30 days notice if the Club or YMI is in default of any of their material obligations or engaged in a continuing violation of law, as more fully described in the Agreement. If there are any unsold memberships three years from the Closing Date, the Club will be obligated to extend the Agreement with YMI or engage another selling agent, for an additional two years.

The Selling Agency Agreement provides for compensation equal to 4% of the sales price of any memberships sold, payable by the Club, and 6% of any memberships leased, payable by the lessee. The Agreement appoints YMI exclusive Selling Agent, subject to the rights of Sponsor in connection with its guarantee of assessments due with respect to unsold memberships, and YMI's right to enlist the assistance of brokers to effect sales or rentals. Any commissions due such other brokers will be the exclusive obligation of YMI. The Selling Agency Agreement obligates YMI to: (i) consult with counsel for the Club; (ii) on a best efforts basis offer unsold memberships for sale or upon the request of the Club for lease; (iii) deposit down payments in the escrow account designated by the Club; (iv) accept subscription agreements for unsold member-

ships; (v) accept leases for unsold memberships; (vi) supervise all salespersons; (vii) obtain the approval of the Club prior to distribution of any advertisement, circular or other sales literature; (viii) pay any compensation due employees of YMI; (ix) maintain workers compensation, disability and any other insurance coverage mandated by law; and (x) exercise due diligence to effect sales in accordance with the terms of the Plan.

The Selling Agency Agreement will obligate the Club to refer all sales and rental inquiries to YMI. Any advertising or other promotional expense incurred with approval of the Club will be the exclusive obligation of the Club. The Selling Agency Agreement gives YMI the exclusive right to occupy the second floor of the main office building during the entire term of the Agreement.

The Selling Agency Agreement obligates the Club to cause the Plan to be amended in accordance with the requirements of Section 352-e of the General Business Law and the regulations promulgated under Section 352-e. The Agreement obligates the Club to maintain an escrow account for the deposit of down payments and to handle such funds in accordance with the requirements of Sections 352-e(2-b) and 352-h of the General Business Law. The Selling Agency Agreement provides that YMI will not be liable for any loss or damage not caused by YMI's own gross negligence or wilful failure to comply with its obligations. The Club will be obligated to indemnify YMI from any cost or expense arising out of (a) injury to person or property unless caused by YMI's own gross negligence or wilful failure to comply with its obligations; and (b) any cost or expense for all acts properly performed by YMI pursuant to the instructions of the Club.

The Selling Agency Agreement may not be assigned by the Club or YMI.

Scotia Marina North, Inc. Commissioning/Decommissioning Contract

The Club will take title to the Marina property subject to a 3 year contract with Scotia Marina, Inc. ("Scotia") ending February 28, 1986. Scotia is not affiliated with Sponsor or its principals. The contract will obligate the Club to pay Scotia \$6,450 for commissioning approximately 271 boats and an additional \$6,450 for decommissioning such boats during the second year of the term of the contract. The cost of commissioning and decommissioning will increase to \$6,933.76 during the third year of the contract. The contract will obligate the Club to remove boats from Winter storage in the Spring, place the boats in Lake George and step the mast of all sailboats. At that point Scotia will prepare the boats for operation to the following extent:

- (a) replace cooling system plugs;
- (b) check engines, motors, power systems, batteries, electrical systems, running lights, sinks, heads;

(c) certify sinks and heads comply with Section 33-a of the Navigation Law.

Scotia will provide at its own expense any required outdrive oil and lubricants. Any other required products or materials will be billed by Scotia to the individual members.

Under the contract, the Club is required to remove all boats from Lake George and place them in Winter storage areas. At that point Scotia will:

(a) winterize all engines, motors, water and sewage disposal systems;

(b) store batteries for Winter;

(c) generally prepare boats for Winter storage.

Scotia will provide at its own expense all winterizing lubricants and anti-freeze. The contract obligates Scotia to maintain liability insurance in the minimum amounts of \$1,000,000./\$1,000,000./\$100,000.

Scotia Lease

The Club will take title to the Marina property subject to a 3 year lease with Scotia commencing April 1, 1983 and ending March 31, 1986. The monthly rent is \$2,312.50 during the first year; \$2,485.94 during the second year; and \$2,672.38. during the third year.

The lease grants Scotia possession of the following portions of the Marina property:

(a) Store and storeroom (in the main office building);

(b) Gas dock (and gas dock building);

(c) Marine sewage pump-out facility;

(d) Use of shop (located in the large storage building on the 10.58 acre parcel of land on the southerly side of Route 9L;

(e) Undivided 2/3 use of the transformer building (located on the 7.58 acre parcel of land on the northerly side of Route 9L);

(f) Exclusive use of shop (located in the shop and storage building on the 4.66 acre parcel of land in the Town of Fort Ann.

(g) Exclusive use of slips Nos. A-1, A-2, A-3, A-5 and C Extension 1.

The lease obligates Scotia to operate the store and offer merchandise for retail; and the gas dock and offer gasoline and other marine products for retail. Scotia will perform work for

members and other boat owners only as an independent contractor. Scotia may not without the consent of the landlord, use the premises for any purposes other than: (a) retail sale of food, beverages and other customary items at the store; (b) sale of gasoline, oil and other marine lubricants; (c) sale of marine parts and equipment; (d) operation of marine sewage pump-out facility; and (e) maintenance and repair of boats and other marine equipment. The lease obligates Scotia to keep the leased premises in clean, neat and orderly condition.

Scotia will be obligated to pay for heat and electricity for the shop in the Town of Fort Ann. The cost of utilities furnished to the other locations are the responsibility of the landlord or YMI. Scotia will be obligated to maintain and repair the gas pumps, gas lines, sewage pump-out facility and other equipment. All other repairs are the obligation of the landlord. During the first 1-1/2 years of the lease the landlord is obligated to pay for all major repairs to such equipment. The obligation shifts to Scotia during the last 1-1/2 years. A major repair is defined as one requiring an expense in excess of \$500. The landlord is responsible for all capital expenses, such as repair of roofs. Scotia is obligated to maintain liability insurance in the minimum amounts of \$1,000,000./\$1,000,000./\$100,000. Scotia may not assign the lease or sublet without the consent of the landlord.

In the event of condemnation, all compensation will be payable to the landlord, except any portion attributable to the value of the lease to Scotia or relocation expenses. The present and future rent should be sufficient to cover the expenses fairly attributable to the property leased.

Boatowner's Agreements

Each of the 266 slips to be assigned to the memberships is presently subject to a legal instrument called a Boatowner's Agreement. The Agreement creates a license, not a lease. It currently gives the boatowner the following rights:

1. Spring commissioning, launching and Season dockage of a boat;
2. Fall haulout, winterization and outdoor storage of a boat;
3. Electricity, water, parking;
4. Use of main building lounge, rest rooms and showers.

Payments may be made in a lump sum or in quarterly installments ending October 15. The Agreements are not assignable without the written consent of YMI which may not be unreasonably withheld. The boatowner is obligated to:

1. Comply with rules and regulations of the Marina;
2. Indemnify the Marina for any damage or liability;

3. Grant the Marina a maritime or garageman's lien for services furnished;

4. Comply with and hold the Marina harmless from any violation of Section 33-a of the Navigation Law.

IDENTITY OF PARTIES

The Sponsor Yardarm Development Associates is a New York limited partnership. The Sponsor was formed in connection with the Sponsor's purchase of the Marina property. Sponsor has no experience other than that of its general partners. The sole general partners are: Thomas W. Eagan, Yardarm Marina, Route 9L, Cleverdale, New York 12820; and Francis B. Legac, 10415 Stapleford Hall Drive, Potomac, Maryland 20854. Because Mr. Legac is not a resident of New York, he will be deemed to and has, in fact, designated the Secretary of State of the State of New York as his agent for service of process under Section 352-b of the General Business Law. Mr. Eagan attended Albany Business College and Russell Sage College. He was employed by the Delaware and Hudson Railway Company for approximately 18 years and at various times was comptroller, vice-president and comptroller, and vice-president-finance and governmental affairs. He is also president and treasurer of YMI. Mr. Legac attended Buffalo State College and received a degree from Laney College, a technical institution. For approximately 5 years he has been a principal of several affiliated firms engaged in the distribution of diesel railway equipment and services. He is also Secretary of YMI. Messrs. Eagan and Legac have been involved in the operation and management of the Marina since it was acquired by Sponsor in 1981. They and YMI have had no other active experience in the operations or management of a marina. Neither the Sponsor nor its principals have taken part in any public offerings of cooperative interests in realty including condominiums, cooperatives and homeowners associations, in or from the State of New York during the 5 years preceding the preparation of this Plan.

Wofsey, Certilman, Haft, Lebow & Balin, 55 Broad Street, New York, New York 10004, are the attorneys who prepared this Plan and various underlying documents. They will represent the Sponsor in connection with the closing of title to the Marina property. Walter O. Rehm, III, Esq., 175 Ottawa Street, Lake George, New York 12845, is the attorney who will represent the Club in connection with the closing of title to the Marina property and the closing of the individual memberships. Although Mr. Rehm was selected to represent the Club in connection with such transactions, he has also represented the Sponsor in related matters including without limitation: Sponsor's acquisition of the Marina property; the preparation of certain underlying documents; and issues relating to the application of local and regulatory law including an opinion of counsel set forth in the Plan. Mr. Rehm did not represent the Club in connection with the preparation of the Plan or any of the underlying documents.

The "Description of Areas and Facilities to be Owned or Maintained by the Club" set forth in Part II of the Plan, was prepared by Raymond J. Buckley, P.E., L.S., Star Route Ridge Road, Glens Falls, New York 12801.

The "Certification by Sponsor's Expert Concerning Adequacy of Budget" set forth in Part II of the Plan was prepared by Richard K. Berke, as president of Robert W. Levitt, Inc., Lake George, New York 12845. Mr. Berke is a licensed real estate broker. His familiarity with marinas is based on his review of financial statements prepared for various marinas on Lake George, marketing of businesses with marina operations and real estate developments with marina facilities. Mr. Berke's experience with marina facilities and operations includes Mooring Post Marina, Lakewood, Kahn's Stepping Stones, Offshore Owners Corp. and Trout Lake Preserve.

REPORTS TO MEMBERS

It is the obligation of the Club under the By-Laws to furnish all members annually at the expense of the Club:

1. A financial statement including a balance sheet and profit and loss statement, audited by an independent public accountant, within 4 months of the end of the fiscal year;
2. Notice of the annual meeting of members, not less than 10 days nor more than 30 days before the meeting.

DOCUMENTS ON FILE

In accordance with Section 352-e(8) of the General Business Law, the Club will maintain a copy of the Plan and Parts A, B and C of the Exhibits on file and available for inspection without charge and copying for a reasonable charge, at the Marina, for a period of 6 years from the Closing Date.

GENERAL

There are no lawsuits, administrative or other proceedings pending, the outcome of which may materially affect the offering of the memberships, the Marina property, Sponsor's capacity to perform all of its obligations under the Plan, or the operation of the Club.

The Marina property has not been the subject of any prior public offerings of cooperative interests in realty. No preliminary non-binding agreements have been entered into for the sale of memberships and no money has been collected from purchasers prior to the acceptance of the Plan for filing by the Department of Law.

In accordance with the laws of New York and the federal government, the Sponsor and its agents will not discriminate against any person because of his or her race, creed, color, sex, disability, marital status, national origin or other ground proscribed by law.

Sponsor anticipates that when the Marina property is transferred to the Club, the Sponsor will make a substantial profit, assuming that the Club makes the required debt service payments on the Mortgage. However, the exact amount of profit cannot presently

be determined because of such variable factors as future market conditions, increases or decreases in Sponsor's anticipated expenses, the length of time that elapses before the Closing Date; the effect of the extended payments under the Mortgage; and any prepayments of the Mortgage or reduction of the Mortgage on the Closing Date.

Sponsor prepared the following statement of anticipated profit based on various assumptions set forth in the footnotes:

Amount of Offering(1)	\$5,085,000.
Cost of Marina property(2)	1,434,000.
Net Loss from December 1, 1981 through October 15, 1983(3)	115,000.
Professional Services(4)	100,000.
Marketing(5)	100,000.
Organization of Sponsor(6)	15,000.
Capital Gains and Gains Transfer Tax(7)	1,320,000.
Compensation(8)	392,000.
Total Expenses	\$3,476,000.
Anticipated Profit	\$1,609,000.

- (1) Sales price of Marina property to the Club.
- (2) Initial acquisition cost of \$1,264,000. and improvements costing \$170,000.
- (3) Actual net loss for Sponsor excluding depreciation and amortization, Dec. 1, 1981 through April 30, 1983, \$109,000.; projected net loss May 1, 1983 through Oct. 15, 1983, \$6,000.
- (4) Additional legal, accounting, engineering and related expenses borne in connection with the preparation and filing of the Plan.
- (5) Projected cost of promoting sale of memberships including remuneration, supplies, telephone and advertising.
- (6) Actual cost of organizing Sponsor.
- (7) Projected tax payable by Sponsor or directly by partners:
 - (i) Federal capital gains tax: \$754,000.
 - N.Y.S. capital gains tax: \$189,000.
 - (ii) N.Y.S. gains transfer tax: \$377,000.
- (8) Compensation payable to principals of Sponsor for development, operation and administration of Marina and conversion of Marina to Club ownership.

SPONSOR'S RIGHTS

Sponsor reserves the following rights:

1. By duly filed amendment to the Plan at any time before the Closing Date, to:

(a) change the size, layout and or number of slips assigned to memberships;

(b) subdivide one or more slips into separate slips; provided the aggregate number of slips will not be increased by more than 10%;

- c) combine one or more slips;
- d) change the size, dimensions and capacity of any slip;
- e) otherwise alter any portion of the Marina property.

The exercise of the rights described in subparagraphs (a) through (e) will only be exercised in compliance with applicable building and zoning codes, and all other applicable laws, rules, regulations and other valid governmental requirements.

After the Closing Date the Club will have the same rights as Sponsor as described in subparagraphs (a) through (e).

An increase or decrease in the total number of slips may affect the level of assessments payable by the members.

2. Sponsor reserves the right to enter into Boatowner's Agreements or interim Boatowner's Agreements or leases for slips assigned to the memberships. The Club may condition the sale of a membership, prior to the Closing Date, upon the execution of an interim Boatowner's Agreement or lease. Any interim Boatowner's Agreement or lease will be specifically conditioned upon full performance of the purchaser's obligations under the Subscription Agreement, if any. Any breach of the purchaser's obligations under any Subscription Agreement will be a material breach of the interim Boatowner's Agreement or lease and a default under the Agreement or lease. Similarly, a failure to fully perform all the obligations under the interim Boatowner's Agreement or lease, which failure results in a purchaser's eviction from the Marina property (either by voluntary removal or Court order) will be a material breach of the Subscription Agreement and a default under the Agreement.

3. Sponsor reserves the right to modify, renew or replace existing, or enter into new maintenance, employment, concessionaire, lease and other agreements and insurance policies, that will be binding on the Club on the Closing Date. Renewal, replacement and new agreements will not be for a term expiring more than 3 years from the Closing Date.

4. The Plan may be amended from time to time prior to or after the time it is declared effective, to change the sales prices at which all the memberships are being sold, the number, amount and terms of the encumbering mortgages, the size of the contingency reserve, and in any other respect the Sponsor or the Club deem fit. While the Plan may be amended from time to time, no such amendment will increase the sales price of a membership to a purchaser, if the purchaser has already submitted a valid Subscription Agreement together with the required down payment. If Sponsor and or the Club makes a change in the terms or conditions of the offering which would materially adversely affect the rights of a purchaser or the value of a purchaser's membership, Sponsor or the Club will notify purchaser by a duly filed amendment to this Plan within

20 days of the acceptance of the amendment for filing. Purchaser will be given 30 days to elect to cancel his Subscription Agreement by written notice to the Club. If the purchaser elects to cancel the Subscription Agreement, the Club will return all payments made pursuant to the Subscription Agreement within 10 days, any interest earned on the payments within 20 days; purchaser, the Club and Sponsor will be released from all liabilities and obligations under the Agreement and the Plan.

Dated: July 27, 1983

HARRIS BAY YACHT CLUB, INC.
Club

YARDARM DEVELOPMENT ASSOCIATES
Sponsor

