





DDU 6000  
08-05-09 LW

Cummins PLA

TERMS: Payable in U. S. Dollars at time of receipt unless credit has been approved in advance. Invoices with approved credit are due NET 10TH DAY OF THE MONTH FOLLOWING THE DATE OF INVOICE. Past due invoices are subject to interest charges at the rate of 1.5% per month (18% per annum).

CSPL - DFW PWR  
GENERATION  
600 NORTH WATSON ROAD  
ARLINGTON, TX 76011-  
(817)640-6956

8450  
AUG - 3 2009

INVOICE NO
032-57013
REMIT TO: P. O. BOX 910608 DALLAS, TEXAS 75391-0608

**BILL TO**

WHITE BLUFF RESORT  
2022 MISTY VALLEY CIRCLE  
WHITNEY, TX 76692-

**OWNER**

WHITE BLUFF RESORT  
2022 MISTY VALLEY CIRCLE  
WHITNEY, TX 76692-  
RICHARD ZINT - 254 694-4000

Cummins Southern Plains, LLC

PAGE 1 OF 1

\*\*\* CCARD \*\*\*

DATE	CUSTOMER ORDER NO.	DATE IN SERVICE	ENGINE MODEL	PUMP NO.	EQUIPMENT MAKE
26-JUN-2009	N/A		150 DSHAA		ONAN
CUSTOMER NO.	SHIP VIA	FAIL DATE	ENGINE SERIAL NO.	CPL NO.	EQUIPMENT MODEL
149481		24-JUN-2009	K070134516		GEN SET
REF. NO.	SALES PERSON	PARTS DISP.	MILEAGE/HOURS	PUMP CODE	UNIT NO.
21126	17352		142		K070134516

QUANTITY ORDERED	BACK ORDERED	QUANTITY SHIPPED	PART NUMBER	DESCRIPTION	PRODUCT CODE	UNIT PRICE	AMOUNT
			NA	YEAR 2007			

COMPLAINT  
CORRECTION

FULL SRV W/LOAD BANK 2 HR  
UPON ARRIVAL IN WHITNEY, CUSTOMER EXPLAINED MOBILE UNIT HAD BEEN MOVED TO OTHER SITE IN CLEBURNE. TRAVEL TO SITE. GAINED ACCESS TO GENSET. PERFORMED FULL SERVICE PM. ALL OPS NORMAL. PERFORMED 2 HOUR LOAD BANK TESTING. CUSTOMER AT "THE RETREAT" WOULD LIKE A COPY OF PAPERWORK FAXED TO HIM, DUE TO WORK BEING PERFORMED AFTER HOURS. ALL OPS NORMAL. UNIT LEFT IN "OFF" POSITION, BREAKER OPEN DUE TO EXPOSED PIGTAIL ON TRAILER.

NEW SITE ADDRESS IS 7725 FM 1434, CLEBURNE, TX  
CONTACT: LANE WESTBROOKS 817-833-4284

1	PM MAINT RT	PM FLAT RATE				1,372.00
					LOCAL	20.58
					MTA	8.86
					STATE	85.75

Bill to Retreat

Billing Inquiries? Please call us at (800) 306-8801. Visit us on the internet at [www.cummins-sp.com](http://www.cummins-sp.com).

This invoice is subject to the terms and conditions of sale, including limitations on warranties, detailed on the reverse side of this form. Customer acknowledges the existence of these terms and conditions and confirms they have been read and fully understood. Cummins Southern Plains, LLC is a Texas limited liability company.

SUB TOTAL:	1,372.00
TOTAL TAX:	113.19
<b>TOTAL AMOUNT: US \$</b>	<b>1,485.19</b>

AUTHORIZED BY: \_\_\_\_\_

DATE: \_\_\_\_\_

# SERVICE ORDER



RO 21126

CUST. NAME (BILL TO) WHITE BLUFF RESORT (RETREAT @ CLEBURNE) ADDRESS 2022 MISTY VALLEY CIRCLE CITY STATE ZIP CODE WHITNEY TEXAS 76692 OWNER NAME / TRUCK DOMICILE ADDRESS CITY STATE ZIP CODE			CUST. NO. 148481 EMP. NO. 011218 PAYMENT		CONTACT NAME RICHARD ZINT DATE RECEIVED 5/24/09 EQUIP. MAKE		CUSTOMER PHONE 254-694-3000 CUSTOMER ORDER NO. EQUIP. MODEL ACCESS CODE	
			MILEAGE (RT) 120		DATE IN SERVICE		MILEAGE/HOURS 1.2	
			SRT MODEL #		ENGINE MODEL, H.P.		ENGINE SERIAL NO.	
UNIT NO.			C.P.L.		GENERATOR MODEL NO. 160D5HAA		GENERATOR SERIAL NO. K070134516	

**CUSTOMER'S COMPLAINT AND/OR SERVICE REQUESTED: FULL SERVICE, 2 HR. LOAD BANK**

**REMARKS OR SPECIAL INSTRUCTION:**  
UPON ARRIVAL IN WHITNEY, CUSTOMER EXPLAINED MOBILE UNIT HAD BEEN MOVED TO OTHER SITE IN CLEBURNE. TRAVEL TO SITE. GAINED ACCESS TO GENSET PERFORMED FULL SERVICE PM. ALL OPS NORMAL. PERFORMED 2 HR. LOAD BANK TESTING. CUSTOMER AT "THE RETREAT" WOULD LIKE A COPY OF PAPERWORK FAXED TO HIM. DUE TO WORK BEING PERFORMED AFTER HOURS. ALL OPS NORMAL. UNIT LEFT IN OFF POSITION, BREAKER OPEN DUE TO EXPOSED PIGTAIL ON TRAILER. TRAVEL TO BASE.

NEW SITE ADDRESS IS 7725 FM 1434, CLEBURNE, TX  
CONTACT: LANE WESTBROOKS 817-933-4284

**Hazard Analysis Checklist**

PLEASE IDENTIFY THE POTENTIAL HAZARDS IN THE WORK AREA. ATTENTION SHOULD BE GIVEN TO THESE DURING THE COURSE OF THE WORK. WHERE POSSIBLE, ELIMINATE THE HAZARDS OR USE THE PROPER PPE.

Work at Heights	Handling heavy objects	Difficult access
Live electrical exposure	Eye Hazards	Excessive Noise
Traffic in area	Pinch Hazards	Slip Hazards
Other contractors working near or through work area	Other environmental hazards (e.g. bees, animals, etc.)	Trip hazards around walkways and access points
Handling sharp objects or near sharp corners	Lack of training in task at hand	Head Hazards including panel doors
Poor weather	Wet area or poor weather	Other

DC1 LEVEL ( 2.2 ) ANTI-FREEZE LEVEL ( 35 ) RAN UNIT FOR: 2 1/2 hours

THE LIMITED WARRANTIES PUBLISHED BY CUMMINS SOUTHERN PLAINS, LTD. ("CSPL") AND OTHER TERMS AND CONDITIONS ON THE REVERSE SIDE OF THIS DOCUMENT APPLY. LABOR WARRANTY IS LIMITED TO REPERFORMING THE REPAIR OR CAUSING THE REPAIR TO BE MADE AND IN NO EVENT WILL CSPL BE LIABLE FOR CONSEQUENTIAL DAMAGES. CSPL'S LABOR WARRANTY IS LIMITED TO A PERIOD OF SIX MONTHS, 50,000 MILES, OR 1,800 HOURS OF OPERATION, WHICHEVER COMES FIRST, FOR ANY SERVICE PERFORMED.

The undersigned hereby authorizes the above repair work to be done along with the purchase of the necessary materials. The undersigned grants CSPL, its employees, and its agents permission to operate the equipment described above on streets, highways, or elsewhere for the purpose of testing and/or inspection. An express mechanic's lien and/or possessory lien is hereby acknowledged on the equipment to secure the cost of the repairs. The undersigned further acknowledges that CSPL is not responsible for loss or damage to the equipment or personal property left with the equipment in case of fire, theft, or any other cause beyond CSPL's control.  
CSPL-040 (12/05)

Tech: <u>BLAKE HODGES</u>
Authorized By (Print): _____
Customer's Signature: _____



**Cummins  
Southern Plains, Ltd.**

600 NORTH WATSON ROAD \* P.O. BOX 90027  
ARLINGTON, TEXAS 75004-3027  
TEL: (817) 640-6801 \* FAX: (817) 640-6852

**EMERGENCY POWER SYSTEM  
FIELD SERVICE REPORT**

**LEGEND:**  
 X - INSPECTED - OK  
 T - TESTED - OK  
 A - ADJUSTED  
 R - REPAIRED / CHANGED  
 C - CHANGE  
 N - NOT APPLICABLE  
 \* - REQ'S REPAIR - SEE COMMENTS

CUSTOMER INSTRUCTIONS AND/OR COMMENTS:	MODEL 150DSHAA SERIAL NO <u>K070134516</u> W.D. NO. <u>21126</u> DATE <u>6/24/09</u> HOUR METER READING <u>4.2</u>	
	WHITE BLUFF RESORT (RETREAT.C) 7725 FM 1434 CLEBURNE, TX	
	CUSTOMER INSTRUCTIONS AND/OR COMMENTS:	
<b>ENGINE - GENERAL</b> LOOSE COMPONENTS X LEAKS X FAN BELTS X <b>LUBRICATION</b> LEAKS X OIL LEVEL X FILTERS C OIL SAMPLE N REAR SEAL X <b>FUEL SYSTEM</b> LEAKS X FILTERS C LINE CONDITION X DRAIN SEDIMENT N FUEL LEVEL 3/4 WATER LEVEL FULL FLOAT SWITCH X TRANSFER PUMP N FUEL SAMPLE N AIR FILTER X CARB/REGULATOR N SOLENOID N <b>IGNITION SYSTEM</b> PLUGS IGNITION SWT WIRING COIL CORROSION TIMING	<b>COOLING SYSTEM</b> ANTIFREEZE (check PT) -35 DCA 2.2 FILTER C HOSE X BELTS X COOLING FANS X WATER HEATER X PILLOW BLOCK N <b>EXHAUST</b> LEAKS X CONDENSATION X TURBO CHARGER X FLEX PIPE X RAIN CAP X <b>HOUSING/CABINETS</b> GENERAL X FIT X DECALS X <b>AC ELECTRICAL</b> BRUSHES N INSTRUMENTS X REGULATOR X <b>DC ELECTRICAL</b> BATTERIES SPECIFIC GRAVITY <u>1.275</u> LOAD TEST <u>20.2</u> SHUTDOWNS LOP HET	<b>DC CONT.</b> O/SPEED X O/CRANK X PREALARMS X BATT. CHG. RATE <u>26.1</u> <b>ANNUNCIATOR</b> <b>OPERATIONAL</b> LOAD X NO LOAD SEQUENCE VOLTAGE A <u>480</u> B <u>480</u> C <u>480</u> AMPS A <u>149</u> B <u>149</u> C <u>149</u> FREQUENCY <u>60</u> START TIME <u>4:45 P.M.</u> <b>FINAL SYSTEM CHECK</b> OUTPUT BREAKER IN CLOSED POSITION YES SYSTEM IN AUTO MODE YES RAN UNIT FOR: <u>30 Minutes</u> CUSTOMER X <u>BLAKE HODGES</u> TECHNICIAN

START TIME		GENERATOR VOLTS			GENERATOR AMPS			KW / HP	POWER FACTOR	NVA	RPM/AZ	TECHNICIAN	WO #	UNIT SERIAL #	DATE	PAGE #
		1-2	2-3	3-1	L1	L2	L3				BLAKE HODGES	21126	M07R134616	6/24/2009	1 OF 1	
QUALITY ASSURANCE INSPECTION																
AMBIENT TEMP (F)																
OIL PRESS																
WATER TEMP																
LUBE TEMP																
120 IN																
120 OUT																
GAS																
16:45	480	480	480	47	47	47	47	39	1.0	180000	180000	100	78	123		
17:00	480	480	480	47	47	47	47	39	1.0	180000	180000	100	72	168		
17:15	480	480	480	48	48	48	48	78	1.0	180000	180000	100	65	176		
17:30	480	480	480	48	48	48	48	78	1.0	180000	180000	100	63	180		
17:45	480	480	480	48	48	48	48	124	1.0	180000	180000	100	63	188		
18:00	480	480	480	48	48	48	48	124	1.0	180000	180000	100	56	191		
18:15	480	480	480	48	48	48	48	124	1.0	180000	180000	100	58	191		
18:30	480	480	480	48	48	48	48	124	1.0	180000	180000	100	58	190		
18:45	480	480	480	48	48	48	48	124	1.0	180000	180000	100	56	191		
MEGGER READINGS																
L1-L2																
L2-L3																
L3-L1																
L1-GRD																
L2-GRD																
L3-GRD																
COMMENTS																

Cummins  
Southern Plains,

Accounts Payable Coding Form

Vendor Heading: SDS  
 Vendor Name: S D Systems, Inc  
 New Vendor:  
 address or change:  
 Phone #:  
 Fed ID. # or S.S. #:

Company: DDU  
 Department: Utilities  
 Location: THE RETREAT

Return Check to: VENDOR  
 Date required:

Invoice #	Invoice Date	Amount	Inter Co.	GIL Account #	GIL Acct. Description	Dept.	GIL Comment (20 Characters)	Total
907004R	07/30/09	\$ 1,550.00		8450-0000	R&M Water Plant	6090	rebuild ground storage tank <i>Clayville</i>	\$ 1,550.00
Total								\$ 1,550.00

Description (include explanation of any variance to budget)

Prepared by: Linda Brehm Date Prepared: 08/08/09  
 Accounting Use Only  
 Approved by: Bassam Abusad Print Name: \_\_\_\_\_ Field Batch #: \_\_\_\_\_  
 Signature: \_\_\_\_\_ Acc. Approval: \_\_\_\_\_  
 A/P Batch #: \_\_\_\_\_







# ACT PIPE & SUPPLY

CORPORATE OFFICE - HOUSTON, TEXAS  
 (713) 937-0600 (800) 231-9808

15931  
 DOUBLE DIAMOND UTILITIES CO  
 7725 FM 1434  
 CLEBURNE, TX 76033

REMITTANCE ONLY  
 P.O. BOX 201810  
 HOUSTON TX 77216-1810

INVOICE NUMBER 344880

1  
 07/31/09

SHOP

DDU 6090  
 08-07-09

RADIO  
 READ  
 METERS

8460

hw

JDL

CUSTOMER ID, NUM	SHIP DATE	QTY	TERMS	TAX CODE	DOC NO	SWH	FREIGHT	SHIP VIA	
THE RETREAT	03/16/09	222	NET 30 DAYS	TEMPLE	150191	90		DIRECT	
ITEM	DESCRIPTION	ORDERED	SHIPPED	BACK ORDER	U/L	PRICE	PER	EXTENSION	
PPD-02	5/8" X 3/4" HENDEY NITRO II METER W/ AMR/USG REGISTER	55.00	55.00		EA	27.50	EA	1512.50	
PPD-02	5/8" X 3/4" HENDEY NITRO II METER W/ AMR/USG REGISTER	25.00	25.00		EA	27.50	EA	687.50	
ETR-EN	ETR-EN ENCODED REGISTER For NetRadio ER-3 on PPD-02	25.00	25.00		EA	32.00	EA	800.00	
MP-ER3MTU	HENDEY METROPRO ER-3 MTO (METER TRANCEIVER ONLY)	25.00	25.00		EA	78.00	EA	1950.00	
SHIP/HAND	SHIPPING/HANDLING	1.00	1.00		EA	.00	EA	.00	
				MERCHANDISE	MISCELLANEOUS	DISCOUNT	TAX	FREIGHT	TOTAL DUE
				4950.00	.00	.00	408.38	.00	5358.38

PAID  
 AUG -6 2009

INVOICES PAYABLE IN HOUSTON, HARRIS COUNTY TEXAS. PAST DUE ACCOUNTS SUBJECT TO SERVICE CHARGE OF 1.5% PER MONTH AND TERMS ON REVERSE HERE TO. ACCEPTANCE OF GOODS CONSTITUTES AN AGREEMENT BY BUYER OF ALL TERMS HEREIN.

THIS TRANSACTION IS GOVERNED BY ACT PIPE & SUPPLY, LTD. AND/OR ACT FABRICATION, INC.'S STANDARD CONDITIONS OF SALE AS PRINTED ON THE BACK OF THIS INVOICE.

ORIGINAL



267533189



CSPL - DFW PWR  
GENERATION  
600 NORTH WATSON ROAD  
ARLINGTON, TX 76011-  
(817)840-6956

TERMS: Payable in U. S. Dollars at time of receipt unless credit has been approved in advance. Invoices with approved credit are due NET 10TH DAY OF THE MONTH FOLLOWING THE DATE OF INVOICE. Past due invoices are subject to interest charges at the rate of 1.5% per month (18% per annum).

INVOICE NO
032-62709
PERMIT TO: P. O. BOX 910509 DALLAS, TEXAS 75381-0509

**BILL TO**  
WHITE BLUFF RESORT  
2022 MISTY VALLEY CIRCLE  
WHITNEY, TX 76692-

**OWNER**  
WHITE BLUFF RESORT  
2022 MISTY VALLEY CIRCLE  
WHITNEY, TX 76692-  
RICHARD ZINT - 254 694-4000

PAGE 1 OF 1  
\*\*\* CCARD \*\*\*

DATE	CUSTOMER ORDER NO.	DATE IN SERVICE	ENGINE MODEL	PUMP NO.	EQUIPMENT MAKE
28-JUN-2010	N/A		150 DSHAA		ONAN
CUSTOMER NO.	SHIP VIA	FAIL DATE	ENGINE SERIAL NO.	CPL NO.	EQUIPMENT MODEL
149481		24-JUN-2010	K070134518		GEN SET
REF. NO.	SALESPERSON	PARTS DISP.	W/REASONS	PUMP CODE	UNIT NO.
24780	14270		/123		K070134518

QUANTITY ORDERED	BACK ORDERED	QUANTITY SHIPPED	PAID NUMBER	DESCRIPTION	PRODUCT CODE	UNIT PRICE	AMOUNT
------------------	--------------	------------------	-------------	-------------	--------------	------------	--------

OSN/MSN/VIN	NA	YEAR	2007					
COMPLAINT	FULL SRV W/LOAD BANK 2 HR							
CORRECTION	DROVE TO LOCATION. I PM THE UNIT ACCORDING TO THE FIELD SERVICE REPORT. I CHANGED THE OIL, OIL FILTER, FUEL FILTERS. THEN I CHECKED ALL FLUIDS, FILTERS, BELTS, HOSES, AND BATTERIES. TO PERFORM A LOAD BANK TEST, I CONNECT ALL CABLES FROM THE LOAD BANK TO THE GENSET (1) CABLE PER PHASE AND GROUND. AFTER CONNECTIONS COMPLETED, I START THE GENERATOR AND RECORDED ALL READINGS EVERY 15 MINUTES. FIRST 30 MIN @ 30%, NEXT 30 MIN @ 50%, AND 1 HR @ 80% (TWO HOURS TOTAL) AND ALL OPERATIONS WORKING PROPERLY AT THIS TIME. I SHUT THE UNIT DOWN AND UNHOOKED THE LOAD BANK, PUT THE UNIT IN AUTO, AND THE GENERATOR BREAKER IS CLOSED.							
1	PM MAINT RT	PM FLAT RATE				1,487.00		
					LOCAL	22.31		
					MTA	7.44		
					STATE	92.94		

*Retreat*

VED  
JUN 30 P.M.

JUL 08 2010

Billing Inquiries? Please call us at (800) 906-8801. Visit us on the Internet at [www.cummins-sp.com](http://www.cummins-sp.com).

This invoice is subject to the terms and conditions of sale, including limitations on warranties, detailed on the reverse side of this form. Customer acknowledges the existence of these terms and conditions and confirms they have been read and fully understood. Cummins Southern Plains, LLC is a Texas limited liability company.

SUB TOTAL:	1,487.00
TOTAL TAX:	122.69
<b>TOTAL AMOUNT: US \$</b>	<b>1,609.69</b>

AUTHORIZED BY: \_\_\_\_\_

DATE: \_\_\_\_\_



Accounts Payable Coding Form

Company: DDU  
 Department: Utilities  
 Location: THE RETREAT

Vendor Heading: WALLELE  
 Vendor Name: Wallace Control's & Electric, Inc  
 New Vendor: \_\_\_\_\_  
 address or change: \_\_\_\_\_  
 Phone #: \_\_\_\_\_  
 Fed I.D. # or S.S. #: \_\_\_\_\_

Return Check to: VENDOR  
 Date required: \_\_\_\_\_

SENT TO  
 OCT 01 2010  
 HOME OFFICE

Invoice #	Invoice Date	Amount	Job #	Cost Code	Inter Co.	Gil Account #	Gil Acct Description	Dept.	Gil Comment (20 Characters)	Total
8606	09/15/10	\$1,635.16				8450-0000	R&M Water Plant	8080	Submonitor - due to lightning strike on Control Panel at Well #1	\$1,635.16
Total \$ 1,635.16										

FO #4986

Description (include explanation of any variance to budget)

Prepared by: Katry Graves Date Prepared: 09/28/10  
 Approved by: Lane Westerm Print Name: Burnie Westerm  
 Signature: [Signature]

Accounting Use Only  
 Acct. Approval: [Signature]  
 A/P Batch #: MP1-115  
 Field Batch #10-08

OCT 05 2010

WALLACE CONTROL'S & ELECTRIC, INC

PO BOX 31/ 210 E. MORGAN  
 MERIDIAN, TX 76665  
 (254)435-2544/435-2524 FAX.

Invoice

Date	Invoice #
9/15/2010	8606

Bill To
RETREAT 7725 FM 1434 CLEBURNE, TX. 76033

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
	CALLED BY LANE ON 9/2/10 TO CHECK WELL-NOT RUNNING, TECH FOUND SUB MONITOR BURNED UP AND ORDERED PARTS, RETURN TRIP TO INSTALL	0.00	0.00
	LABOR	412.50	412.50
	MATERIALS	1,165.66	1,165.66
	TRAVEL	57.00	57.00
	STATE SALES TAX	8.25%	0.00
<i>R.M.Y. Co</i>			
SEP 22 2010			
		<b>Total</b>	\$1,635.16



**Graves, Kathy**

---

**From:** Drapp, Rose  
**Sent:** Monday, September 27, 2010 8:42 AM  
**To:** Graves, Kathy  
**Subject:** RE: Invoice from Wallace Controls  
**Attachments:** image001.jpg

Thanks!

**Rose Drapp**  
**Construction Assistant**  
**Double Diamond Companies**  
10100 N Central Expy, Suite 600  
Dallas, TX 75231  
Direct # (214)-706-7857  
Fax # (214)-706-7829  
[rdrapp@ddresorts.com](mailto:rdrapp@ddresorts.com)  
[dd.resorts.com](http://dd.resorts.com)

---

**From:** Graves, Kathy  
**Sent:** Monday, September 27, 2010 8:39 AM  
**To:** Drapp, Rose  
**Subject:** Invoice from Wallace Controls

Rose, we are going to be getting an invoice from Wallace Controls covering a service call and purchase/installation of sub monitor after the lighting strike on the control panel at Well #1. The amount of the invoice is \$1,635.16 and it will be charged to 8450-0000 R&M Water Plant.

Kathy Graves  
Construction Administrative Assistant  
The Retreat  
[retreatadmin@theretreat-texas.com](mailto:retreatadmin@theretreat-texas.com)  
817-556-2700, Ext. 2234

9/27/2010



Accounts Payable Coding Form

Vendor Heading: **GREYSYS** Company: **DDU**  
 Vendor Name: **Greystone Systems, Inc.** Department: **Utilities**  
 New Vendor: \_\_\_\_\_ Location: **THE RETREAT**  
 address or change: \_\_\_\_\_  
 Phone #: \_\_\_\_\_ Return Check to: **VENDOR**  
 Fed I.D. # or S.S. #: \_\_\_\_\_ Date required: \_\_\_\_\_

**SENT TO**  
**OCT 14 2011**  
**HOME OFFICE**

Invoice #	Invoice Date	Amount	Inter Co.	GL Account #	GL Acct. Description	Dept.	GL Comment (20 Characters)	
685	10/08/11	\$844.00		8450-0000	R&M -Water Plant	8090	Solnoid Auto Valve, Repair Kit and labor to repair solenoid auto valve at ground storage tank	\$844.00
Total								\$ 844.00

Description (include explanation of any variance to budget) FO #5686

Prepared by: Kathy Greves Date Prepared: 10/11/11  
 Accounting Use Only  
 Approved by: Bornis Weismann Field Batch #11-10  
 Acc't. Approval: US Utility  
 ANP Batch #: AP 1-170  
 Print Name: \_\_\_\_\_  
 Signature: \_\_\_\_\_

Invoice

GREYSTONE SYSTEMS, INC.  
 381 CASA LINDA PLAZA  
 PMB 274  
 DALLAS, TX 75218-3423

DATE	INVOICE #
10/6/2011	685

<b>BILL TO</b>
THE RETREAT ATTN: LANE 7725 FM 1434 CLEBURNE, TEXAS 76033

P.O. NO.	TERMS	PROJECT
Lane	Due on receipt	

QUANTITY	DESCRIPTION	RATE	AMOUNT
1	CS3S Solenoid 120/60v Normally Open	236.00	236.00
1	1/2" 120C Repair Kit	233.00	233.00
1	Inspect & Repair Pilot System - Cla-Val 6" 136EG-03ABC Solenoid Valve 120/60v	375.00	375.00
	Tag: Ground Storage Tank Fill & Level Control Valve		
		<b>Total</b>	<b>\$844.00</b>

OCT 07 2011

Thank you for your business.  
 Please remit to above address.  
 Tax ID# 75-2957960



Accounts Payable Coding Form

Vendor Heading: GRAINGE  
 Vendor Name: Granger  
 New Vendor: \_\_\_\_\_  
 address or change: \_\_\_\_\_  
 Phone #: \_\_\_\_\_  
 Fed I.D. # or S.S. #: \_\_\_\_\_

**SENT TO**  
**AUG 31 2012**  
**HOME OFFICE**

Company: DDU  
 Department: Utilities, POA  
 Location: THE RETREAT

Return Check to: VENDOR  
 Date required: 2012 SEP 04 2012

Invoice #	Invoice Date	Amount	Inter Co.	G/L Account #	G/L Acct. Description	Dept.	G/L Comment (20 Characters)	
9894905273	08/08/12	\$86.04	RPO	8005-0000	Smallwares/Tools	8095	pillar set - POA	\$32.07
				8005-0000	Smallwares/Tools	8090	cable cutter	\$24.80
				8005-0000	Smallwares/Tools	8091	cable cutter	\$9.17
9894905285	08/08/12	\$ 870.33		8450-0000	R&M Water Plant	6090	air compressor	\$870.33
9894905257	08/08/12	\$ 462.35		8450-0000	R&M Water Plant	6090	filtr, ck vlv, solenoid vlv	\$462.35
Total								\$ 1,398.72

Account # 875644767, PO # 6484

Description (include explanation of any variance to budget)

Prepared by: Linda Brehm Date Prepared: 08/27/12  
 Approved by: Bunnie Western Print Name: \_\_\_\_\_  
 Signature: [Signature]

Accounting Use Only  
 Acct. Approval: [Signature]  
 A/P Batch #: AP1-231

Field Batch #11-10

The Retreat  
 7725 FM 1434  
 Cleburne, TX 76031  
 (817) 556-2700

PURCHASE ORDER  
 NO. 6484

Vendor Granger  
 Invoice # \_\_\_\_\_

DATE 8-6-12  
 COMPANY DDU/RPO  
 DEPT. \_\_\_\_\_

QTY	ITEM DESCRIPTION	JOB #	COST CODE	COMP	GL ACCOUNT #	DEPT	EXTENDED PRICE		
1	Air Comp. 3hp 3ph	R&M Water Plant				6070	804.00		
1	solenoid valve								427.10
1	air check valve								
1	water seperator								
1	Wien plier set	small wares				6065	29.55		
1	cable cutter					6090	31.45		
						6091			
						tax	106.62		
	Total including Taxes						1398.7		

[Signature]  
 Approved By

[Signature]  
 Purchased By

To Be Used For: \_\_\_\_\_





WALLACE CONTROL'S & ELECTRIC, INC

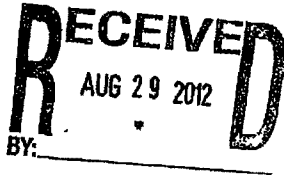
PO BOX 31/ 210 E. MORGAN  
 MERIDIAN, TX 76665  
 (254)435-2544/435-2524 FAX.

**Invoice**

Date	Invoice #
8/22/2012	35976

<b>Bill To</b>
RETREAT 7725 FM 1434 CLEBURNE, TX. 76033

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
1	CALLED BY LANE ON SUNDAY 8/5/12 TO CHECK COMOPRESSOR FAIL AT WELL SITE, TECH MADE (3) TRIPS CHECKING AND WIRING IN MOTOR LABOR TRAVEL STATE SALES TAX	0.00  895.00 73.50 8.25%	0.00  895.00 73.50 0.00
<div style="text-align: center;">  </div>			
		<b>Total</b>	<b>\$968.50</b>



Accounts Payable Coding Form

Vendor Heading: WALLELE Company: DDU  
 Vendor Name: Wallace Control's & Electric, Inc Department: Utilities  
 New Vendor: NOV 30 2012 Location: THE RETREAT  
 address or change: \_\_\_\_\_ Return Check to: VENDOR  
 Phone #: \_\_\_\_\_ Date required: \_\_\_\_\_  
 Fed I.D. # or S.S. #: \_\_\_\_\_

**SENT TO**  
**NOV 30 2012**  
**HOME OFFICE**

Invoice #	Invoice Date	Amount	Inter Co.	GIL Account #	GIL Acct. Description	Dept.	GIL Comment (20 Characters)	
38164	11/07/12	\$875.94		8460-0000	R&M Water Plant	6080	repair to booster #1 replace starter coil for booster pump	\$875.94
Total								\$ 875.94

Description (include explanation of any variance to budget) \_\_\_\_\_  
 PO# Burnie

Prepared by: Linda Brehm Date Prepared: 11/28/12  
 Approved by: [Signature] Print Name: Linda Brehm  
 Accounting Use Only  
 Acct. Approval: [Signature]  
 A/P Batch #: 001-246

WALLACE CONTROL'S & ELECTRIC, INC

PO BOX 31/ 210 E. MORGAN  
 MERIDIAN, TX 76665  
 (254)435-2544/435-2524 FAX.

# Invoice

Date	Invoice #
11/7/2012	36164

<b>Bill To</b>
RETREAT 7725 FM 1434 CLEBURNE, TX. 76033

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
1	CALLED BY BERNIE ON 11/1/12 TO CHECK BOOSTER #1 NOT WORKING, TECH TROUBLESHOT AND ORDERED PARTS, RETURN TRIP TO INSTALL LABOR TRAVEL MATERIALS STATE SALES TAX	0.00  320.00 50.00 305.94 8.25%	0.00  320.00 50.00 305.94 0.00
<i>RAM WALLACE</i>  NOV 28 2012			
<b>Total</b>			\$675.94

Attachment 5

Double Diamond Utilities Co. / The Retreat  
 Application for a Rate / Tariff Change  
 Test Year Ended 12/31/2012  
 Double Diamond Delaware Capital Structure

(C)

(B)

Col (A)

Line No.

Audited Values as of December 30, 2012

\$ %

1	Debt			
2	Notes Payable to Affiliates	\$	6,956,908	
2	Notes Payable		151,453,588	
3	Total Debt	\$	158,410,496	60.36%
3				
4	Equity			
4	Total Shareholder's Equity	\$	104,053,709	39.64%
5	Total Equity	\$	104,053,709	
5				
6	Total Debt and Equity	\$	262,464,205	

**DOUBLE DIAMOND-DELAWARE, INC.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 30, 2012 and January 1, 2012**

**DOUBLE DIAMOND-DELAWARE, INC.  
AND SUBSIDIARIES**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Double Diamond-Delaware, Inc.

We have audited the accompanying consolidated financial statements of Double Diamond-Delaware, Inc. (an S-corporation) and Subsidiaries (the "Company"), a Delaware corporation, which comprise the consolidated balance sheets as of December 30, 2012 and January 1, 2012, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2012 and January 1, 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Huseltin, Morgan + Maultsby, P.C.*

Dallas, Texas  
April 30, 2013



# DOUBLE DIAMOND-DELAWARE, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 30, 2012 and January 1, 2012

### ASSETS

	December 30, 2012	January 1, 2012
Cash and cash equivalents	\$ 1,493,987	\$ 3,225,177
Accounts receivable	1,261,150	1,639,952
Inventory	47,149,186	45,714,500
Prepays and other assets	4,182,211	4,772,492
Restricted cash	3,365,773	4,041,390
Notes receivable, net	179,125,347	173,503,735
Advances to affiliates, net	9,768,718	8,277,546
Property and equipment, net	25,672,713	26,663,199
Deferred financing costs, net	226,918	176,031
Total assets	<u>\$ 272,246,003</u>	<u>\$ 268,014,022</u>

### LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	\$ 6,585,126	\$ 5,916,281
Accrued expenses	2,729,519	4,032,364
Notes payable to affiliates	6,956,908	5,406,257
Notes payable	151,453,588	148,583,588
Deferred tax liability	467,153	594,256
Total liabilities	<u>168,192,294</u>	<u>164,532,746</u>
Shareholders' equity		
Common stock; \$.01 par value; 100,000 authorized, issued and outstanding shares	1,000	1,000
Additional paid-in capital	3,783,189	3,896,578
Unearned ESOP shares	(2,100,211)	(2,232,319)
Retained earnings	102,369,731	101,816,017
Total shareholders' equity	<u>104,053,709</u>	<u>103,481,276</u>
Total liabilities and shareholders' equity	<u>\$ 272,246,003</u>	<u>\$ 268,014,022</u>

The accompanying notes are an integral  
part of these consolidated financial statements.

# DOUBLE DIAMOND-DELAWARE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 30, 2012 and January 1, 2012

	December 30, 2012	January 1, 2012
Revenues		
Land and condominium sales, net	\$ 35,576,914	\$ 35,458,726
Resort hospitality sales	12,332,379	11,043,086
Utility revenues	1,811,774	2,074,862
Other income	3,239,782	6,166,871
Total revenues	52,960,849	54,743,545
Cost of land and condominium sales	8,527,718	9,837,137
Cost of resort hospitality sales	2,263,138	2,209,290
Cost of utility revenues	50,928	28,754
Provision for repossessions	3,649,668	5,204,550
Total costs of revenues	14,491,452	17,279,731
Gross operating margin	38,469,397	37,463,814
Interest income	13,148,107	13,375,374
Operating income	51,617,504	50,839,188
Operating expenses		
Selling, general, and administrative	39,141,627	37,526,018
Depreciation and amortization	2,480,200	3,478,046
Interest	8,711,231	8,403,951
Employee stock option plan	18,719	468,477
Total operating expenses	50,351,777	49,876,492
Income before provision for state tax	1,265,727	962,696
State tax expense	255,868	240,091
Income from continuing operations	1,009,859	722,605
Extraordinary item - insurance proceeds	-	340,322
Net income	1,009,859	1,062,927
Less: Net income attributable to non-controlling interest	(230)	(160)
Net income attributable to controlling interest	\$ 1,009,629	\$ 1,062,767

**The accompanying notes are an integral  
part of these consolidated financial statements.**

**DOUBLE DIAMOND-DELAWARE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

**For the Years Ended December 30, 2012 and January 1, 2012**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Total Shareholder's Equity
Restated retained earnings December 26, 2010	\$ 1,000	\$ 3,986,034	\$ 101,358,172	\$ (2,790,252)	\$ 102,554,954
Distributions to shareholders	-	-	(607,500)	-	(607,500)
Non-controlling interest					
Net income	-	-	160	-	160
Equity	-	-	2,418	-	2,418
ESOP compensation expense	-	(89,456)	-	557,933	468,477
Net income	-	-	1,062,767	-	1,062,767
Balances at January 1, 2012	1,000	3,896,578	101,816,017	(2,232,319)	103,481,276
Distributions to shareholders	-	-	(455,625)	-	(455,625)
Non-controlling interest					
Net income	-	-	230	-	230
Equity	-	-	(520)	-	(520)
ESOP compensation expense	-	(113,389)	-	132,108	18,719
Net income	-	-	1,009,629	-	1,009,629
Balances at December 30, 2012	<u>\$ 1,000</u>	<u>\$ 3,783,189</u>	<u>\$ 102,369,731</u>	<u>\$ (2,100,211)</u>	<u>\$ 104,053,709</u>

**The accompanying notes are an integral  
part of these consolidated financial statements.**

# DOUBLE DIAMOND-DELAWARE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 30, 2012 and January 1, 2012

	December 30, 2012	January 1, 2012
Cash flows from operating activities		
Net income attributable to controlling interest	\$ 1,009,629	\$ 1,062,767
Net income attributable to non-controlling interest	230	160
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,298,078	3,279,874
Amortization of financing costs	182,122	198,172
Provision for repossessions	3,649,668	5,204,550
(Gain) loss on sale of fixed assets	(132,232)	58,900
Deferred state taxes	(127,103)	133,730
Employee stock option plan	18,719	468,477
Prior period adjustment (inventory)	-	(16,207,827)
Minority equity interest	(520)	2,578
Changes in operating assets and liabilities		
Decrease (increase) in restricted cash	675,617	(2,544,750)
Decrease (increase) in accounts receivable	378,802	(704,624)
(Increase) in advances to affiliates	(1,491,172)	(1,459,615)
(Increase) decrease in inventory	(1,434,686)	13,589,079
Decrease (increase) decrease in other assets	357,272	(407,372)
Increase in accounts payable	668,845	1,415,339
Decrease (increase) in accrued expenses	(1,302,845)	94,750
Net cash provided by operating activities	4,750,424	4,184,188
Cash flows from investing activities		
Issuance of notes receivable	(30,352,800)	(29,048,043)
Repayments received from notes receivable	21,081,520	21,261,003
Additions to property and equipment	(1,350,860)	(748,964)
Net cash used in investing activities	(10,622,140)	(8,536,004)
Cash flows from financing activities		
Proceeds from notes payable	36,186,761	108,665,266
Proceeds from notes payable to affiliates	5,406,000	1,200,000
Repayments of notes payable	(33,316,860)	(101,644,153)
Repayments of notes payable to affiliates	(3,855,250)	(1,824,298)
Financing costs	-	161,842
Distributions to shareholders	(455,625)	(607,500)
Proceeds on sale of assets	175,500	-
Net cash provided by financing activities	4,140,526	5,951,157
Net (decrease) increase in cash and cash equivalents	(1,731,190)	1,599,341
Cash and cash equivalents at beginning of year	3,225,177	1,625,836
Cash and cash equivalents at end of year	\$ 1,493,987	\$ 3,225,177
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 8,594,590	\$ 8,133,964
Cash paid for state taxes	\$ 270,743	\$ 183,428
Non-cash transaction:		
Transfers between inventory and fixed assets. See note 3.	\$ -	\$ 3,777,210

**The accompanying notes are an integral part of these consolidated financial statements.**

# DOUBLE DIAMOND-DELAWARE, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 30, 2012 and January 1, 2012

### 1. ORGANIZATION

Double Diamond-Delaware, Inc. (DDDI) (an S-corporation) and Subsidiaries (the "Company") is a Delaware investment holding company incorporated in 1996. On January 1, 1997, the shareholder of Double Diamond, Inc. (DDI) and certain affiliated entities exchanged his interests for comparable interests in the Company.

The Company owns properties in Texas, Pennsylvania, and New York. The operations of the Company are fully integrated, including the functions of property acquisition, master planning, subdivision platting, lot and condominium sales, design, construction, and operation of infrastructure and utilities (street, water, sewer) and amenities (golf courses, hotels, marinas, ski area, restaurants, condominiums, and conference facilities). The operations of the Company also include marketing, sales, finance, legal administration, and mortgage loan servicing. The fiscal year consists of the four-four-five quarterly reporting method. The 2012 and 2011 fiscal years ended on December 30, 2012 and January 1, 2012, respectively.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Presentation

The consolidated financial statements include the accounts of DDDI and its majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the

reporting period. Significant items subject to such estimates and assumptions include the valuation of loan loss reserves, direct marketing costs, and related amortization. Actual results could differ from those estimates.

#### Reclassifications

Certain accounts in the 2011 financial statements have been reclassified for comparative purposes to correspond to the presentation in the current year financial statements. Total equity and net income are unchanged due to these reclassifications.

#### Lot Inventory and Revenue Recognition

Lot inventory is valued at the lower of original land cost or fair value. Costs are allocated to individual lot sales using the relative sales price method. Any revisions to estimated costs will be reflected in lot inventory and cost of future lot sales. Undeveloped land is recorded at cost and is evaluated for impairment when events and circumstances indicate the land may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets.

The Company recognizes revenue on its retail and land sales, net of sales discounts and trade-ins, using the full accrual method after cash payments of at least ten percent of the contract sales price are received.

Generally accepted accounting principles require that cash payments on land sales equal ten percent or more of the sales price in order to record the sale on the full accrual method. If less than ten percent is received, the Company records all payments received from the buyer (including principal and interest) as deposit liabilities. Once the total cash exceeds ten percent of the sales price, the sale is recorded under the full accrual method. Direct selling costs related to lot sales recorded under the deposit method are deferred until the sale is recognized.

The Company accrues interest income on notes receivable on a constant yield basis ratably over the terms of the notes.

The Company recognizes revenue for room sales and revenues from guest services whenever rooms are occupied and services have been rendered. Revenue from restaurant operations, golf courses, marinas and other amenities is recognized when the services have been rendered.

Cash and Cash Equivalents

The Company considers all demand and money market accounts and certificates of deposit with maturities of three months or less when purchased to be cash equivalents.

The Company maintains cash and cash equivalents at several financial institutions, which exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such accounts.

Advertising Costs

The Company expenses all advertising and marketing costs as incurred. The Company incurred marketing costs totaling \$8,468,705 and \$7,952,292 in 2012 and 2011, respectively.

Deferred Financing Costs

Financing costs have been deferred and are amortized over the estimated debt terms. Financing costs are amortized using the straight-line method which approximates the effective interest method. Amortization of deferred financing costs is included in interest expense.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method, with useful lives ranging from 5 to 31.5 years.

Concentration of Credit Risk

The Company sells real estate lots in Texas and Pennsylvania. The Company performs credit evaluations of its customers' financial condition and retains a security interest in lots sold. The Company's notes receivable are spread among many customers,

with no material balances due from any one customer. Repossessed lots are added to inventory.

The notes receivable are generally due within 20 years. Credit losses from customers have been within management's expectations, and management believes the allowance for repossessions adequately provides for any losses.

#### Income Taxes

Under existing provisions of the Internal Revenue Code, the income or loss of a Subchapter S corporation is recognized by the individual members for income tax purposes. Accordingly, no provision for income tax has been provided for in the accompanying consolidated financial statements. However, the Company is subject to Texas Margin Tax. Accrued Texas Margin Tax totals \$740,870 and \$751,043 at December 30, 2012 and January 1, 2012, respectively. Additionally, Texas Margin tax expense for the years ended December 30, 2012 and January 1, 2012 totals \$255,868 and \$240,091, respectively.

Deferred tax liabilities and assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for state tax purposes. Significant components of the Company's deferred tax liabilities and assets relate principally to the installment method of reporting sales, allowance for unsellable lot inventory, and depreciation expense. In 2006, the Texas Legislature passed House Bill (HB) 3, which amended the Texas Tax Code to revise the existing franchise tax. As a result, the Company adjusted its deferred tax rate consistent with the new Texas Margin Tax to reflect the effect of such timing differences in future tax years. In 2012, the Company made cash tax payments totaling \$270,743 for state tax. The current portion of state taxes payable for 2012 and 2011 totals \$273,717 and \$288,592, respectively.

The Company has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*, and has evaluated its uncertain tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination.



Accordingly, no provision for uncertainties in income taxes has been made in the accompanying financial statements. The Company is no longer subject to state income tax examination by tax authorities for years before 2009.

*Fair Value of Financial Instruments*

The carrying values of accounts receivable; advances to affiliates, net; accounts payable; and accrued expenses are reasonable estimates of their fair values because of the short maturities of these instruments. Notes receivable have aggregate carrying values which approximate their estimated fair values based upon the current interest rates. Notes payable and notes payable to affiliates have aggregate carrying values which approximate their estimated fair values based upon the current interest rates for debt with similar terms and remaining maturities, without considering the adequacy of the underlying collateral. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 30, 2012 and January 1, 2012.

*Subsequent Events*

In accordance with FASB ASC 855, *Subsequent Events*, management has reviewed subsequent events through April 30, 2013, the date the report was available to be issued.

3. CHANGE IN ACCOUNTING ESTIMATE

In prior years, cost for common area assets for each development have been allocated 80 percent to land inventory and 20 percent to fixed assets. In 2011, the Company's management re-evaluated this method and determined that a better approach was to look at the development's stage of life. Management has determined that a more appropriate allocation for substantially completed developments is to allocate 50 percent of the cost to land inventory and 50 percent to fixed assets. Due to this change in estimate, \$3,777,210 was reclassified on the balance sheet from inventory to fixed assets in 2011. These common area assets were in the process of being built between 2006 and 2011 and not completed until 2012. As such, there was no prior year depreciation.

4. INVENTORY

The components of inventory at December 30, 2012 and January 1, 2012 are as follows:

	<u>December 30, 2012</u>	<u>January 1, 2012</u>
Lot inventory held for sale	\$ 35,059,751	\$ 33,003,283
Undeveloped land	11,059,000	11,059,000
Condos held for sale	<u>1,030,435</u>	<u>1,652,217</u>
Total	<u>\$ 47,149,186</u>	<u>\$ 45,714,500</u>

The Company estimates that it will incur approximately \$36,448,399 of costs to complete development of and improvements to its lot inventory held for sale at December 30, 2012.

5. NOTES RECEIVABLE

The Company generally receives mortgage notes from purchasers of lots. Notes receivable are reported net of an allowance for repossessions, which is determined on the basis of historical experience. The activity in the allowance for repossessions for the years ended December 30, 2012 and January 1, 2012, is as follows:

	<u>December 30, 2012</u>	<u>January 1, 2012</u>
Beginning balance	\$ 3,831,669	\$ 5,172,362
Provision for repossessions	3,649,668	5,204,550
Notes foreclosed or defaulted	(5,075,289)	(9,305,482)
Original cost basis of lots returned to inventory	<u>1,655,104</u>	<u>2,760,239</u>
Ending balance	<u>\$ 4,061,152</u>	<u>\$ 3,831,669</u>

Mortgage notes receivable of approximately \$5,650,954 and \$5,244,158 were delinquent at December 30, 2012 and January 1, 2012, respectively. The Company determines a note to be delinquent when any payment is 30 days past due. Repossessed lots are recorded based on the original cost basis.

The aggregate maturities of notes receivable for the next five years and thereafter, as of December 30, 2012, are as follows:

2013	\$ 8,221,135
2014	8,388,158
2015	8,756,587
2016	9,265,863
2017 and Therafter	<u>148,554,756</u>
	183,186,499
Less: allowance for repossessions	<u>(4,061,152)</u>
	<u>\$ 179,125,347</u>

The range of stated interest rates on notes receivable is 5 percent to 12 percent with a weighted average interest rate at December 30, 2012 of 7.53 percent. The carrying value of notes receivable in the aggregate was assumed to approximate fair value based on effective borrowing rates for debt instruments with similar terms.

6. AGE AND INTEREST ACCRUAL STATUS OF FINANCING RECEIVABLES

The following table presents informative data by class of financing receivable regarding their age and interest accrual status at December 30, 2012:

December 30, 2012	Current	Past Due				Total Past Due	Total Financing Receivables	Status of Interest
		30 Days	60 Days	≥ 90 Days	Accruals			
							Financing Receivables Past Due ≥ 90 Days and Still Accruing Interest	
Real Estate Notes	<u>\$ 177,535,545</u>	<u>\$ 3,467,246</u>	<u>\$ 926,065</u>	<u>\$ 1,257,643</u>	<u>\$ 5,650,954</u>	<u>\$ 183,186,499</u>	<u>\$ 1,257,643</u>	

7. RESTRICTED CASH

Cash payments on lot sales are included in restricted cash. The cash payments are released when the purchaser has been issued a warranty deed (with vendor's lien retained). These funds are normally released within 60 days of the sale date.

In 2012, the Company was required by one of their lenders to maintain a reserve fund. For the years ended December 30, 2012 and January 1, 2012, the reserve totals \$2,450,687 and \$2,403,382, respectively.

## 8. PROPERTY AND EQUIPMENT

Property and equipment at December 30, 2012 January 1, 2012 are composed of the following:

	<u>December 30, 2012</u>	<u>January 1, 2012</u>
Land and land improvements, including golf courses	\$ 12,123,648	\$ 11,276,049
Vehicles and construction equipment	5,239,271	4,868,391
Furniture, fixtures, and equipment	12,268,886	12,352,321
Buildings	24,224,740	23,507,402
Water/wastewater systems	4,663,773	4,473,547
Equipment	244,160	244,160
Construction-in-progress	258,970	1,233,968
Leasehold improvements	212,052	212,052
	<u>59,235,500</u>	<u>58,167,890</u>
Less: accumulated depreciation	<u>(33,562,787)</u>	<u>(31,504,691)</u>
Total	<u>\$ 25,672,713</u>	<u>\$ 26,663,199</u>

Depreciation expense for the years ended December 30, 2012 and January 1, 2012, totals \$2,298,078 and \$3,279,874, respectively.

## 9. INTANGIBLE ASSETS

Amortization of deferred financing costs is based on the life of the related loans using the straight line method.

Intangible assets, net, consist of the following at December 30, 2012 and January 1, 2012:

	<u>December 30, 2012</u>	<u>January 1, 2012</u>
Loan fees	\$ 418,774	\$ 306,698
Less: accumulated amortization	<u>(191,856)</u>	<u>(130,667)</u>
Intangible assets, net	<u>\$ 226,918</u>	<u>\$ 176,031</u>

Amortization expense for the years ended December 30, 2012 and January 1, 2012 is \$182,122 and \$198,172, respectively.

Expected amortization expense over the next five years is as follows:

	Estimated Amortization Expense
2013	\$ 89,208
2014	61,189
2015	31,920
2016	28,170
2017 and thereafter	16,431
Total	<u>\$ 226,918</u>

#### 10. NOTES PAYABLE

Notes payable at December 30, 2012 and January 1, 2012 consist of the following:

	December 30, 2012	January 1, 2012
Note payable to First Financial Bank, due on July 18, 2016, which provided a maximum credit of \$1,760,000 for the construction of interval ownership condominium buildings and a hotel building, with interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 0.5% payable in 59 monthly installments of \$12,065 of principal plus accrued interest with the balance due at maturity. This note is secured by the hotel building and underlying land at one of the Company's resorts.	\$ 530,875	\$ 663,594
Note payable to First Financial Bank, due on October 9, 2014, which provided a maximum credit of \$756,000 for the construction of an office building at one of the Company's developments, with interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 1%, with a floor rate of 5.50%, payable monthly plus 59 equal monthly installments of principal of \$4,200 until maturity. This note is secured by the office building and the underlying land.	348,600	399,000
Note payable to Compass Bank, due on January 1, 2017, which provided a maximum credit of \$19,800,000 for the financing of Company notes receivable, with interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively). Monthly installments vary depending on interest rate. Installments are due each month until the maturity date when the entire unpaid principal balance is due. An additional monthly payment is required if the loan to collateral ratio is not maintained as stated in the loan agreement. The note is collateralized by mortgage notes receivable.	4,798,649	6,008,959

(Note 10 Continued)

Note payable to Compass Bank, due on May 1, 2022, which provided a maximum credit of \$2,167,500 for the construction of a clubhouse at one of the Company's developments with interest payable at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 1% with a 5% floor, payable in 180 monthly installments of \$12,042 plus accrued interest. This note is secured by the club house, restaurant and underlying land at one of the Company's resorts.	1,360,658	1,505,158
Note payable to First National Community Bank, due June 9, 2026, which provided a maximum credit of \$2,200,000, monthly payments of \$14,998 which include interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 0.5% payable through the adjustment date of June 9, 2011, and each 5th anniversary of that date thereafter at which time the monthly payment will be adjusted for the ensuing 60 months. This note is secured by one of the Company's hotel buildings and a fitness center at one of the Company's resorts.	1,651,639	1,730,214
Note payable to First National Community Bank which provided a maximum credit line of \$5,000,000, monthly payments of accrued interest on the outstanding principal balance are made at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 0.5% through March 31, 2012 when the entire unpaid principal balance is due. This note is secured by a golf course, clubhouse, restaurant, pro shop, equestrian center, administrative and sales building at one of the Company's resorts.	-	3,881,450
Note payable to Compass Bank, due on July 1, 2017, which provides a maximum credit of \$20,000,000 for the construction of improvements at one of the Company's developments with interest payable monthly at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 1%, together with monthly principal payments equal to the greater of 10% of the sales prices of lots sold from within the property secured by the note or \$300,000 quarterly (\$250,000 quarterly starting in August 2012.) This note is secured by the undeveloped land and future customer mortgage notes at one of the Company's developments.	17,789,339	17,755,807
Note payable to First Financial Bank, due on December 18, 2017, which provided a maximum credit of \$1,087,760 for the construction of several employee housing units at one of the Company's developments with interest payable at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 0.5%, payable in 59 monthly installments of \$7,628 plus accrued interest. The note is secured by land.	707,044	761,432

(Note 10 Continued)

Note payable to PNC Bank for \$5,500,000 for the purchase of a Company aircraft, with interest payable at prime 3.25% plus 3% at December 30, 2012 (6.2% fixed at January 1, 2012). The note is secured by the aircraft. The due date for this note was extended to June 1, 2013.	3,836,923	4,778,115
Note payable to First National Community Bank, originally due on March 31, 2012, which provided a maximum credit of \$7,000,000 for the purchase of undeveloped land in New York state, monthly payments of accrued interest on the outstanding principal balance are made at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 0.5% through May 31, 2012 (plus 1% as of June 1, 2012), with a floor rate of 5% together with monthly principal payments equal to 15% of the sales price of the lots sold from within the property. The note is secured by undeveloped land. The due date for this note has been extended to June 15, 2015.	6,000,000	7,000,000
Note payable to First National Community Bank, due on March 31, 2012, which provided a maximum credit of \$4,000,000 for the purchase of undeveloped land in New York state, monthly payments of accrued interest on the outstanding principal balance are made at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 0.5% through March 31, 2012 when the entire unpaid balance is due. This note is secured by the undeveloped land.	-	3,700,000
Note payable to Plains Capital Bank under a \$10,000,000 credit facility; monthly payments equal to 100% of the funds collected on pledged notes receivable and are applied to the principal balance. Accrued interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 1.0%, with a floor rate of 6.0% is paid separately on a monthly basis. An additional monthly payment is required if the loan to collateral ratio is not maintained as stated in the loan agreement. The note is payable in full on September 28, 2015. The note is collateralized by mortgage notes.	6,127,587	8,067,723
Note payable to Green Bank under a \$15,000,000 revolving credit facility; monthly payments equal to 100% of the funds collected on pledged notes receivable and are applied to the principal balance. Accrued interest at Green Bank prime of 5.00% plus 1.0% with a floor rate of 6.0% is paid separately on a monthly basis. An additional monthly payment is required if the loan to collateral ratio is not maintained as stated in the loan agreement. The note is payable in full on August 1, 2013. The note is collateralized by mortgage notes.	14,591,854	4,559,825

(Note 10 Continued)

Notes payable to Shareplus, due on various dates, which provides a maximum credit of \$3,000,000, with fixed interest of 6.5%, payable in various monthly installments including accrued interest until maturities. The note is collateralized by mortgage notes.	2,783,829	1,339,021
Note payable to Plains Capital under a \$750,000 credit facility; monthly payments equal to 100% of the funds collected on pledged notes receivable and are applied to the principal balance. Accrued interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 1.0% with a floor rate of 6.0% is paid separately on a monthly basis. An additional monthly payment is required if loan to collateral ratio is not maintained as stated in the loan agreement. The note is payable in full on June 28, 2013. The note is collateralized by mortgage notes.	632,312	722,293
Note payable to Plains Capital under a \$10,000,000 revolving credit facility; monthly payments equal to 100% of the funds collected on pledged notes receivable are applied to the principal balance. Accrued interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 1.0% with a floor rate of 6.0% is paid separately on a monthly basis. An additional monthly payment is required if the loan to collateral ratio is not maintained as stated in the loan agreement. The note is payable in full on August 2, 2017. The note is collateralized by mortgage notes.	8,771,854	6,236,581
Note payable to Plains Capital Bank under a \$5,000,000 credit facility; monthly payments equal to 100% of the funds collected on pledged notes receivable are applied to the principal balance. Accrued interest at prime (3.25% and 3.25% at December 30, 2012 and January 1, 2012, respectively) plus 1.0%, with a floor rate of 6.0% is paid separately on a monthly basis. An additional monthly payment is required if the loan to collateral ratio is not maintained as stated in the loan agreement. The note is payable in full on October 4, 2013. The note is collateralized by mortgage notes.	3,021,304	-
Note payable to Veritex Community Bank, due June 20, 2017 which provided a maximum credit of \$6,000,000 for the financing of Company notes receivable, with interest at prime (3.25% at December 30, 2012) plus 1% with a floor rate of 5.5%. Monthly payments equal to 100% of the funds collected on pledged notes receivable to pay accrued interest, with remaining funds after payment of interest being applied to the principal balances. An additional monthly payment is required if the loan to collateral ratio is not maintained as stated in the loan agreement.	6,000,000	-



(Note 10 Continued)

Note payable to First National Community Bank, due June 15, 2014 which provided a maximum credit of \$4,600,000, semi-annual payments of \$165,000, with monthly payments of accrued interest at prime (3.25% at December 30, 2012) plus 0.75% with a floor rate of 4.5 plus 0.5% payable through June 15, 2014 when the entire unpaid principal balance is due. This note is secured by various amenities at one of the Company's resorts.	4,600,000	-
Note payable to First National Community Bank, due June 15, 2014 which provided a maximum credit of \$2,900,000, semi-annual payments of \$165,000, with monthly payments of accrued interest at prime (3.25% at December 30, 2012) plus 0.75% with a floor rate of 4.5% plus 0.5% payable through June 15, 2014 when the entire unpaid principal balance is due. An additional monthly payment is required if the loan to collateral ratio is not maintained as stated in the loan agreement. This note is collateralized by mortgage notes.	2,893,525	-
Note payable with an original balance of \$90,948,946 payable to AIG; monthly payments equal to 100% of the funds collected on pledged notes receivable to pay accrued interest with a fixed rate of 6.06%, with remaining funds after payment of interest and fees being applied to the principal balance. The loan to collateral ratio is calculated each month and could require an additional payment or a refund to the borrower. The note is collateralized by mortgage notes.	64,299,408	78,475,954
Other notes payable secured primarily by the Company's unsold condominium units, certain vehicles, and construction equipment. The interest rate on the various notes range from 2.0% to 10.95% with various maturity dates through July 2016.	708,188	998,462
Total notes payable	<u>\$ 151,453,588</u>	<u>\$ 148,583,588</u>

Carrying amounts for assets pledged as collateral totaled \$239,982,473 and \$219,956,337 at December 30, 2012 and January 1, 2012, respectively.

Scheduled maturities of notes payable as of December 30, 2012 are as follows:

	<u>Notes payable</u>	<u>Due to affiliates</u>	<u>Total</u>
2013	\$ 32,825,212	\$ 3,443,161	\$ 36,268,373
2014	17,397,934	722,045	18,119,979
2015	19,582,682	781,975	20,364,657
2016	11,040,191	846,878	11,887,069
2017 and thereafter	70,607,569	1,162,849	71,770,418
	<u>\$ 151,453,588</u>	<u>\$ 6,956,908</u>	<u>\$ 158,410,496</u>

The Company made cash interest payments on the above notes of \$8,594,590 and \$8,133,964 in 2012 and 2011, respectively. The Company capitalized interest of \$106,642 and \$167,936 in 2012 and 2011, respectively.

Because the majority of the Company's debt bears interest at floating rates or approximates current market rates, there is not a significant difference between the carrying amount of the debt and its fair value.

#### 11. RELATED PARTY TRANSACTIONS

The advances to affiliates (primarily property owners' associations) do not bear interest and were net of an allowance for bad debts of \$1,443,576 and \$1,443,576 at December 30, 2012 and January 1, 2012, respectively.

As of December 30, 2012 the Company had a note payable to the major shareholder for \$4,180,456 with a fixed interest rate of 8 percent due and payable on September 1, 2017. Monthly principal and interest payments of \$84,699 are made until the maturity date. The note was issued in connection with the Employee Stock Option Plan ("ESOP") that was established in 2007. See Note 13.

Also, as of December 30, 2012 and January 1, 2012, the Company had four related party notes payable outstanding to the majority shareholder totaling \$2,776,452 and \$733,844, respectively.

#### 12. COMMITMENTS AND CONTINGENCIES

The Company is obligated under certain noncancelable operating leases for facilities and equipment. Total rental expense under these leases was \$1,492,447 in 2012 and \$1,624,824 in 2011. Future annual minimum lease payments under these leases at January 1, 2012, are as follows:

2013	\$ 1,048,728
2014	715,028
2015	294,056
2016	-
2017 and thereafter	-
	<u>\$ 2,057,812</u>