

Control Number: 46948



Item Number: 8

Addendum StartPage: 0



# Wet Rock Groundwater Services FERENCE OF COUNTY OF THE PROPERTY OF THE PROPERT

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FUBLIC UTILITY COMMISSION

May 1, 2017

Public Utility Commission Water Utilities Division 1701 N. Congress Avenue P. O. Box 13326 Austin, Texas 78711-3326

Re: Vineyard Ridge, LLC CCN Application - Docket No. 46948

Mr. Bednarski and Mr. Harris:

This letter and the attachments provide supplemental information Vineyard Ridge, LLC CCN Application (Docket No. 46948). The list below provides an explanation for the attached supplemental information:

- Attachment 1 National Land Partners Holdings, LLC Financial Statements and Report of Independent Certified Public Accountant for 2013 and 2014.
- Attachment 2 Provides creation documents for Vineyard Ridge, LLC showing that the company
  was created in 2016, therefore no financial documents are available for Vineyard Ridge, LLC prior
  to 2016.

Please call me at 512-906-6291 if you have any questions or require additional information.

Respectfully submitted,

Wet Rock Groundwater Services, L.L.C.

Bryan Boyd, P.G.

Senior Hydrogeologist

# Attachment 1

NLP Holdings, LLC Financial Statements for 2013 & 2014

Combined Consolidated Financial Statements and Report of Independent Certified Public Accountant

### National Land Partners Holdings, LLC

December 28, 2014 and December 29, 2013

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### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Members and Board of Directors of National Land Partners Holdings, LLC

I have audited the accompanying combined financial statements of National Land Partners Holdings, LLC ("a Delaware LLC), its subsidiaries, and entities under common control (the Company) which comprise the combined consolidated balance sheets as of December 28, 2014 and December 29, 2013, and the related combined consolidated statements of income (loss), combined consolidated statements of change in equity and comprehensive income, and combined consolidated statements of cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 'the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Land Partners Holdings, LLC, its subsidiaries, and entities under common control as of December 28, 2014 and December 29, 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 10, 2015

Combined Consolidated Balance Sheets December 28, 2014 and December 29, 2013

ASSETS			3	
,,		, 2014		2013
Cash and cash equivalents	\$	9,625,375	\$	3,436,613
Restricted cash	Ψ	763,366	Ψ	896,987
Contracts receivable		3,410,263		3,564,790
Mortgage loans receivable (net of allowance for estimated uncollectible		3,110,203		3,304,770
accounts of approx. \$699,542 and \$748,933 for 2014 and 2013)		2,127,812		8,527,885
Accounts receivable, related parties (net of allowance for estimated		,		0,021,000
uncollectible accounts of \$5,306,050 and \$4,652,050 for 2014 and 2013)		6,760,208		5,579,449
Accounts receivable, manager fees		2,430,555		2,232,034
Notes receivable, related parties		15,689,652		15,664,652
Notes receivable, other		100,000		100,000
Interest receivable, related parties		932,956		932,956
Interest receivable, mortgages		779		58,432
Inventory, net		32,277,191		32,940,357
Property and equipment, net	1	440,055		320,776
Prepaid expenses and other assets		3,238,320		3,128,055
Total assets	<b>.</b>	77,796,532	\$	77,382,986
LIABILITIES AND EQUITY LIABILITIES				į.
Notes payable	\$	10,508,248	* \$	10,288,844
Notes payable, related parties		13,433,338		22,316,585
Accounts payable and customer deposits		2,993,648		2,813,355
Accounts payable, related parties		944,328		2,384,725
Accrued expenses		3,323,882		1,509,317
Accrued manager fees		8,335,395		1,812,572
Accrued interest		3,696,565		2,541,745
Total liabilities		43,235,404		43,667,143
Minority interest		(1,433,251)		(1,372,571)
COMMITMENTS AND CONTINGENCIES (Note F)		ś		
EQUITY		į		•
Common stock of entities under common control, no par value,				
10,000 shares authorized, issued, and outstanding, respectively		7,438		7,438
Paid in capital		11,126,197		11,126,097
Retained earnings .		24,860,744		23,954,879
Total equity `	<del></del>	35,994,379		35,088,414
Total liabilities and equity	\$	77,796,532	\$	77,382,986

The accompanying notes are an integral part of these statements.

Combined Consolidated Statements of Income (Loss)
For the years ended December 28, 2014 and December 29, 2013

•		,	
		2014	2013
Sales of real estate  Cost of real estate sold	\$	91,773,743 47,275,450	\$ 62,558,223 37,268,994
Gross profit	*	44,498,293	<b>25,289,229</b> °
Selling and administrative expenses Selling Administrative Manager fees		18,115,835 15,842,259 7,031,285	10,386,131 11,841,267 2,039,820
Total costs and expenses	•	40,989,379	24,267,218
Income from operations		3,508,914	1,022,011
Other Interest expense Interest income Other - net Allowance for uncollectible accounts Interest income on investment in loans and mortgages Interest expense related to loans and mortgage investments	,	(2,048,551) 118,113 21,038 (654,000) 726,233 (782,813)	(2,315,223) 94,757 474,310 (501,000) 915,409 (949,721)
Income (loss) before minority interests		888,934	(1,259,457)
Minority interests		60,680	312,326
Net Income (Loss)	\$	949,614	\$ (947,131)

Combined Consolidated Statements of Changes in Equity and Comprehensive Income For the years ended December 28, 2014 and December 29, 2013

		ommon Stock		Paid in Capital		Retained Earnings	***************************************	Total ,
Balance at December 30, 2012	\$.	. 7,438	\$	11,126,097	\$	24,945,210	\$	36,078,745
Investment by Members		_ ^		-		-		·
Comprehensive loss		- 1		-	•	(947,131)		(947,131)
Dividends		_	_ ~			(43,200)		(43,200)
Balance at December 29, 2013	\$	7,438	\$	11,126,097	\$	23,954,879	\$	35,088,414
Investment by Members		-		100	ş ···	~		100
Comprehensive income		-		_	. *	949,614		949,614
Dividends		_			<u> </u>	(43,749)		(43,749)
Balance at December 28, 2014	\$	7,438	\$	11,126,197	\$	÷ 24,860,744	\$	35,994,379

Combined Consolidated Statements of Cash Flows For the years ended December 28, 2014 and December 29, 2013

ř .		2014		2013 .
Cash flows from operating activities:				
Net income (loss)	\$	949,614	\$	(947,131)
Adjustments to reconcile net income (loss) to net cash	·	•	•	, ,
provided by operating activities:				
Depreciation and amortization		165,202		126,795
Net income attributable to minority interest		(60,680)		(312,326)
Loss on sale of fixed assets		6,105		37,256
Changes in current assets and liabilities:		·		•
Restricted cash	•	133,621		16,853
Contracts receivable		154,527		(2,160,599)
Accounts receivable, related parties		(1,180,759)		(4,012,670)
Accounts receivable		_		3,385,800
Accounts receivable, manager fees		(198,521)		415,201
Inventory		663,166		10,750,087
Interest receivable	•	57,653		29,752
Other assets		(110,265)		(2,725,245)
Accounts payable and customer deposits		180,293		(1,484,785)
Accounts payable, related parties		(1,440,397)		1,775,674
Accrued expenses and manager fees		8,337,388		(519,881)
Accrued interest		1,154,820		1,650,231
Net cash provided by operating activities		8,811,767		6,025,012
Cash flows from investing activities:				
Mortgage loan originations, net of payments		6,400,073		1,703,732
Issuance, net of repayments of related party notes receivable		(25,000)		3,484,146
Purchase of property and equipment		(290,586)		(351,331)
Proceeds from sale of property and equipment				27,388
Net cash provided by investing activities		6,084,487		4,863,935
Cash flows from financing activities:				
Proceeds from notes payable		14,685,693		17,143,926
Repayment of notes payable		(23,349,536)		(28,491,212)
Proceeds from additional paid in capital		100		-
Cash dividends - members		(43,749)		(43,200)
Net cash used in financing activities	+	,(8,707,492)		(11,390,486)
Net decrease in cash and cash equivalents		6,188,762		(501,539)
Cash and cash equivalents at beginning of year		3,436,613		3,938,152
Cash and cash equivalents at end of year	\$	9,625,375	\$ ,	3,436,613

The accompanying notes are an integral part of these statements.

Combined Consolidated Statements of Cash Flows - Continued For the years ended December 28, 2014 and December 29, 2013

		 2014	2013
,	Supplemental Disclosure of Cash Flow Information:	-	
	Cash paid during the year for interest	\$ 1,676,582	\$ 1,614,713

The accompanying notes are an integral part of these statements.

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Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

### NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

As of January 1, 2013, National Land Partners, LLC was reorganized to separate the home building business and newly acquired land development projects into separate companies. In connection with the reorganization NLP Homes, LLC and National Land Partners II, LLC were created and along with National Land Partners, LLC each became a wholly owned and controlled subsidiary of National Land Partners Holdings, LLC. National Land Partners II, LLC and the original National Land Partners, LLC acquire and develop large undeveloped rural and recreational properties and subdivide these parcels into smaller parcels to be sold at retail. NLP Homes, LLC acquires undeveloped land and completed building lots in various geographical areas and constructs single family homes which are sold at retail. Properties that are being developed and sold by the Company are located in the following states: West Virginia, Virginia, North Carolina, South Carolina, Tennessee, Kentucky, Texas, Arkansas, Alabama, Maryland, Georgia and Florida.

### Principles of Combination and Consolidation

The financial statements include the accounts of National Land Partners Holdings, LLC, its subsidiaries and Entities Under Common Control. For financial reporting purposes the assets, liabilities and earnings of the entities under common control are combined with those of National Land Partners Holdings, LLC, with the interests owned by parties other than the Companies included in the Companies' financial statements as minority interest. All significant intercompany transactions are eliminated.

### **Entities Under Common Control**

Entities Under Common Control are entities that are owned by the members of or a subsidiary of National Land Partners Holdings, LLC and over which the members and or the manager of National Land Partners Holdings, LLC have substantial control (collectively known as the "Entities under Common Control"). The equity ownership of the Entities under Common Control that is not owned by the members or a subsidiary of National Land Partners Holdings, LLC is shown as minority interest. The operations of entities under common control are similar to those of National Land Partners Holdings, LLC's and its subsidiaries and accordingly, these entities have been combined for the most meaningful presentation.

Entities Under Common Control are as follows:

Entates officer dominar dominar are as are		Ownership Under
Name	Location	Common Control
Possum Kingdom Corp. (S - Corporation)	Texas	74.375%
Cherokee Valley Homes, LLC	South Carolina	50%
Paeonia, LLC.	Florida	50%
Mallard Pond, LLC	Florida	50%
Montejo, LLC	Florida	50%
. NLP Homes at Eryn's Garden, LLC	Florida	·50%

### Accounting Period

The Companies operate on a 52 or 53 week fiscal period. For the year ended December 28, 2014 ("fiscal 2014") and December 29, 2013 ("fiscal 2013"), the combined consolidated financial statements represent 52 week fiscal periods.

Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

### NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

### Concentrations of Risk

Credit risk for mortgage loans receivable and contracts receivable is concentrated in various geographic regions in which the collateral real estate is located. The Companies also maintain balances in various financial institutions, which at times may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. At December 28, 2014 and December 29, 2013, the Company's uninsured cash balances totaled \$1,526,779 and \$1,223,181, respectively.

### Cash and Cash Equivalents

Cash and cash equivalents include all cash held in accounts with a maturity of less than three months.

### Contracts Receivable

Contracts receivable consists primarily of unclosed sales and proceeds in transit from closings.

### Restricted Cash

Restricted cash consists of customer deposits, cash bonds and letters of credit.

### Inventory

Real estate acquired for sale is carried at the lower of cost or estimated net realizable value. Proceeds received from the sale of timber and related incidental operations on certain projects are accounted for as a reduction of capitalized project costs, in accordance with Accounting Standards Codification 970 Real Estate – General.

### Loan Pools

The Company purchased commercial loan pools at a discount from the FDIC and others. The discount is amortized into interest income over the estimated life of the loan using the effective interest method. At December 28, 2014 and December 29, 2013, the remaining outstanding gross pool balances including all prior purchases were \$9.1 million and \$11.4 million, the unamortized discount was \$8.0 million and \$9.0 million, resulting in net pool balances of \$1.1 million and \$2.4 million, respectively, which are included in mortgage notes loans receivable.

Delinquent loans on which interest accruals were suspended had a carrying value of \$1.1 million (net of unearned discounts of \$8.0 million and allowances of \$700 thousand) at December 28, 2014 and \$1.9 million (net of unearned discounts of \$8.3 million and allowances of \$700 thousand) at December 29, 2013.

### Allowance for Losses on Contracts, Mortgage Loans and Accounts Receivable

Specific valuation allowances are provided for certain loans when repayment becomes doubtful and the amounts expected to be received in settlement of the loan are less than the amount due. Accounts are deemed delinquent and interest accruals on certain loans receivable are discontinued if an account becomes over 90 days contractually past due. In addition to specific allowances, a general allowance may be provided for future losses based on historical experience, an evaluation of the loan portfolio, and prevailing market conditions. Additions to the allowance are charged to other income and expense.

Allowance for uncollectible accounts receivable from related parties amounted to \$5.3 million and \$4.7 million as of December 28, 2014 and December 29, 2013, respectively.

Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

### NOTE A -NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

### Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid

### Revenue and Cost Recognition

The Companies record land sales revenue in accordance with Accounting Standards Codification 976 Real Estate – Retail Land. Sales of land are accounted for under the full accrual or the percentage of completion methods. Under the full accrual method, land sale revenues and profits are recognized when the buyer has made a down payment of at least ten percent (10%) of the contract sales price for retail land sales (20% for bulk sales of land), the collectability of the sales price is reasonably assured, the Companies have completed substantially all of their obligations with respect to any development related to the real estate sold and any rescission period has passed.

The sales of homes are recorded under the full accrual method. Under the full accrual method condominium or home sale revenue and profits are recognized at the time of sale. The sale of condominiums and homes is considered to have occurred when 100% of the sales price is received and when the seller has transferred to the buyer the usual risk and rewards of ownership in a transaction that is in substance a sale, and the seller does not have substantial continuing involvement in the property.

The Companies capitalize construction and development costs. The relative sales value method is used to determine cost of sales for individual lots. Actual cost of the house and lot is used to determine cost of sales for homes.

The sales revenue on pending land sales contracts is recorded as contracts receivable. Contracts receivable are generally collected within sixty days.

### Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on the straight line method based on the estimated useful lives of the assets as follows:

Buildings and improvements	5-40 years
Office equipment and furniture & fixtures	· 5-7 years
Vehicles	' 5 years

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates, primarily the amounts that will be realized from collecting receivables and selling existing real estate, as well as the determination of project costs including estimates-to-complete, are required in preparing the financial statements in accordance with US GAAP. Because of the uncertainties inherent in those estimates, it is at least reasonably possible that the estimates will change in the near term.

Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

### NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

### Manager Fees

Manager fees are based on individual management agreements, as defined, but generally provide for a fee ranging from 50-75% of the net income from property sales. The fees represent compensation earned by independent managers contracted by the Companies to manage specific operations of the Company, its wholly owned subsidiaries and entities under common control. If the properties are not operating at a profit, the managers are responsible for 50-75% of the net loss incurred.

### Advertising

The Companies expense the cost of advertising as the advertisements are published, aired or mailed. The cost of prepaid advertising and supplies of existing advertising materials are capitalized until used. For the years ended December 28, 2014 and December 29, 2013, advertising expense was \$7,644,450 and \$4,569,204, respectively and at year end prepaid advertising was \$59,744 and \$19,038, respectively.

### Income Taxes

The Companies' elected partnership treatment under the Internal Revenue Code and state tax laws; accordingly, the taxable income of the Companies will be reflected on the income tax return of National Land Partners Holdings, LLC. It is the Companies' policy to distribute amounts necessary to cover the personal tax liability on the Companies' income through dividend distributions. If the Companies were taxed as corporations, the tax rate would have been approximately 35% for federal and 5% for state. Subsequent to the years ended December 28, 2014 and December 29, 2013, no members' and owners' dividends were declared and paid for personal tax liabilities related to the Companies' income.

The Company evaluates all significant tax positions as required by GAAP. As of December 28, 2014, the Company does not believe that there are any material tax liabilities or benefits that would either increase or decrease within the next twelve months. The Company's income tax returns are subject to examination by the appropriate regulatory authorities and as of December 28, 2014 and December 29, 2013 the Company's federal tax returns generally remain open for the last three years.

### **NOTE B - INVENTORY**

Inventory consisted of the following at December 28, 2014 and December 29, 2013:

,	2014	2013
Land under development	\$ 30,593,680	\$ 30,685,601
Homes in process '	3,024,889	3,342,262
Model homes	275,845	244,497
Undeveloped property	1,202,165	1,943,349
Less: Allowance for impairment in value	(2,819,388)	(3,275,352)
Inventory, net of impairments	\$ 32,277,191	\$ 32,940,357

Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

### **NOTE B - INVENTORY** - Continued .

### Impairment

Certain events or changes in circumstances warrant a consideration of whether the value of a real estate project has been impaired, that is - the carrying value of the project may not be recovered. Such events or changes in circumstances include: a significant decrease in market value; a significant change in the manner in which an asset is used or a significant physical change in the asset; a significant change in legal factors and the business climate that could affect the value of a project or assessment by a regulator; and an accumulation of costs and estimated costs to complete that are significantly in excess of the amount originally expected to acquire and develop a project. During 2014 and 2013, the company did not recognize any additional impairment.

2014

2013

### NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 28, 2014 and December 29, 2013:

		<del></del>			
Land, buildings and improvements	\$ 52	9,247	\$ . 38	1,763	
Office equipment and furniture & fixtures	1,66	6,375	1,53	5,734	
<sup>®</sup> Vehicles	(	61,124	6.	5,497	
Property and equipment, gross	2,25	66,746	1,98	2,994	
Less: accumulated depreciation		16,691)	(1,662,218)		
Property and equipment, net	\$ 44	0,055	\$ 32	0,776	
NOTE D - NOTES PAYABLE				¥	
Notes payable consisted of the following at December 28, 2014 and	December	29, 2013:			
	201		201	3	
• • • • • • • • • • • • • • • • • • •		*			
Banks and Financial institutions	\$ 10,50	08,248	\$ 10,28	8,844	
Member and related parties	13,43	33,338	22,31	6,585	
		<del>11,586</del>	\$ 32,60		
•	•				
		2014	201	13	
National Land Partners Holdings, LLC and wholly owned subsidiaries	. –	.,,			
		à.			
Related Party - Unsecured, due and payable upon demand. Int		- 04 440		04 640	
payable upon demand at ten percent (10.0%).	:	\$ 21,618	\$	21,618	
·				F.	
Related Party - Unsecured, due and payable upon demand. Int	erest is				
payable upon demand at ten percent (10.0%).		2,811,819	4,0	22,486	
				,*	

NATIONAL LAND PARTNERS HOLDINGS, LLC Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

•		
NOTE D - NOTES PAYABLE - Continued	<b>2</b> 014	2013
Related Party - Unsecured, due and payable upon demand. Interest is payable upon demand at ten percent (10.0%).	1,184,633	2,017,169
Related Party – \$65,000,000 Secured Demand Note, dated February 17, 2009 and last amended July 1, 2010, secured by a pledge agreement and collateral assignment. Interest is payable quarterly at 10%.	8,504,648	16,255,312
Related Party – Unsecured, due and payable upon demand. Interest is payable upon demand at ten percent (10%)	910,620	
Bank – line of credit, last modified October 22, 2014 requiring scheduled principal payments in November 2014, February, May and July 2015; secured by certain Kentucky, Texas and Florida inventory; payable in full on August 31, 2015. Interest is due and payable monthly at prime rate plus one and one half percent (1.5%) (4.75% on December 28, 2014).	509,874	1,728,278
Bank - \$7,875,000 on March 31, 2006, last modified on October 22, 2014, secured by certain Kentucky inventory. Principal reduction requirements; \$21,000 per released lot, and payable in full on August 31, 2015. Interest is due and payable monthly at prime plus two percent (2.00%) (5.25% on December 28, 2014).	48,112	48, <u>1</u> 12
Bank- \$2,200,000 on January 26, 2007, last modified November 21, 2012, secured by certain West Virginia inventory. Principal reduction requirements; \$64,706 per released lot payable in full on August 31, 2014. Interest is due and payable monthly at prime plus one percent (1.00%) (4.25% on December 29, 2013). Paid in full January 18, 2014.		301,074
Bank - \$2,210,000 on November 3, 2006, increased to \$3,007,500 on July 19, 2007, and last modified January 15, 2015 secured by certain South Carolina inventory. Current repayment terms are equal monthly payments of principal and interest in the amount of \$12,500, payable in full on December 10, 2015. Interest is due and payable monthly at prime rate plus 2% not to fall below 6% (6% on December 28, 2014).	751,125	938,401
Promissory note for paving, unsecured, on December 16, 2011 for \$151,891. Principal plus accumulated interest is due on or before December 1, 2014. Interest is due at the rate of 5%. This note is in default at December 28, 2014.	, 151,891	151,891

NATIONAL LAND PARTNERS HOLDINGS, LLC Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

NOTE D - NOTES PAYABLE - Continued		2012
Bank - \$6,600,000 dated May 20, 2008, last modified on June 19, 2012. Secured by certain Texas inventory. Principal reduction requirements; Quarterly payments of \$165,000 until maturity at December 31, 2014. Interest is due and payable at the greater of Prime Rate plus 1.0% or 5.0%. (5.0% at December 29, 2013). Paid in full May 30, 2014.	2014	2013
Bank - \$825,000 on December 13, 2013, secured by certain Florida inventory. The unpaid principal and interest shall be due and payable on June 12, 2015. Interest is due and payable monthly at a fixed rate of ten percent (10.00%). Paid in full April 14, 2014.		825,000
Bank Promissory note - \$792,000 on June 11, 2013, secured by certain North Carolina inventory. Eleven monthly interest only payments in the sum of \$3,953. Unpaid principal and interest shall be due and payable on June 11, 2014. Interest is five and ninety-nine hundredths per cent (5.99%).  Paid in full June 26, 2014.	,	<b>792,00</b> 0
Bank Promissory note - \$1,700,000 on June 26, 2013, last modified July 8, 2014 secured by certain Texas inventory. The unpaid principal and interest shall be due and payable on June 26, 2015. Interest is due and payable monthly at six and one half percent (6.5%) per annum.	912,437	, 1,040,000
Bank Promissory note - \$1,220,571 on October 1, 2013, secured by certain Texas inventory. The unpaid principal and interest shall be due and payable on October 1, 2015. Interest is due and payable monthly at six and one half percent (6.5%) per annum.	82,522	721,208
Bank - \$3,280,427 on June 4, 2012, secured by certain Texas inventory. Principal reduction requirements; 20% annually, payable in full June 4, 2017. Interest due and payable monthly at 6.59%. Paid in full March 7, 2014.		193,919
Bank - \$360,000 on July 21, 2004, renewed August 22, 2007, last modified December 12, 2012, secured by certain South Carolina inventory. Principal reduction requirements; 24 payments of \$2,876.50 including interest. Interest is at the greater of prime rate plus 1.75% or 5%. (5.0% on December 28, 2014). Paid in full January 13, 2015.	29,565	61,945
Bank - \$150,000 dated April 30, 2012. Secured by certain Texas inventory. Principal reduction requirements; Quarterly payments of \$7,500 until maturity at December 31, 2014. Interest is due and payable at the greater of Prime Rate plus 1.0% or 5.0%. (5.0% at December 29, 2013). Paid in full June 3, 2014.	,	<b>52,</b> 887

NATIONAL LAND PARTNERS HOLDINGS, LLC Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

NOTE D - NOTES PAYABLE - Continued	2014	2013
Bank - \$3,000,000 credit agreement on July 24, 2012 and amended April 30, 2013 secured by certain South Carolina inventory. The agreement allows for multiple construction loans to be created with the total loans not to exceed \$3,000,000 and expired on April 30, 2014 and was extended until April 30, 2015. Each construction loan matures six (6) months from loan closing. Principal and interest are due on each construction loan at maturity. Each construction loan pays interest on a monthly basis. Interest is variable rate of ½% + prime or not less than 5%. (5.00% on December 28, 2014).	1,685,422	1,139,127
Bank = \$500,000 promissory note dated August 30, 2013, amended and restated November 22, 2013, secured by certain Florida inventory. Principal plus all accrued unpaid interest, at prime plus one and three quarters (1.75%) percent. Interest is paid quarterly. (5.00% on December 28, 2014). Principal plus all accrued unpaid interest is due on November 22, 2015.	411,936	411,936
Bank - \$500,000 promissory note dated August 30, 2013, amended and restated November 22, 2013, secured by certain Florida inventory. Principal plus all accrued unpaid interest, at prime plus one and three quarters (1.75%) percent. Interest is paid quarterly. (5.00% on December 28, 2014). Principal plus all accrued unpaid interest is due on November 22, 2015.	86,589	86,589
Bank - \$568,000 promissory note dated June 26, 2013 secured by certain Kentucky inventory. Principal plus all accrued unpaid interest, at prime plus one-half (0.50%) percent but not less than 5%. Interest is paid quarterly. (5.00% on December 28, 2014). This loan matured on June 26, 2014 and was extended to June 26, 2015.	141,882	568,000
Bank - \$426,000 promissory note dated June 26, 2013 secured by certain Kentucky inventory. Principal plus all accrued unpaid interest, at prime plus one-half (0.50%) percent but not less than 5%. Interest is paid quarterly. (5.00% on December 29, 2013). This loan matured on June 26, 2014 and was paid in full September 16, 2014.	•	426,000
Bank - \$594,000 promissory note dated September 15, 2014 secured by certain Kentucky inventory. Principal plus all accrued unpaid interest, at prime plus one-half (0.50%) percent but not less than 5%. Interest is paid quarterly. (5.00% on December 28, 2014). This loan matures on September 15, 2015.	594,000	
Bank - \$1,503,963 promissory note dated June 2, 2014 secured by certain Florida inventory. Principal plus all accrued unpaid interest, at prime plus 1.75% but not less than 5%. Interest is paid monthly beginning July 2, 2014. This loan matures on June 2, 2016.	1,429,336	

'Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

NOTE D - NOTES PAYABLE - Continued	,	2012
<del>-</del>	2014	2013
Bank - \$2,255,500 promissory note dated June 27, 2014 secured by certain Texas inventory. Principal plus all accrued unpaid interest, at prime plus 1.75% but not less than 5%. Interest is paid monthly beginning July 27, 2014. Principal shall be due and payable in quarterly payments of \$165,016 each, payable in September and December 2014 and March and June 2015. This loan matures on June 27, 2015.	590,801 <sup>-</sup>	
Bank - \$1,650,000 promissory note dated April 28, 2014 secured by certain Georgia inventory. Principal plus all accrued unpaid interest, at 6.75%. Interest is paid monthly. Principal plus all accrued unpaid interest is due on	• •	
April 27, 2016.	1,399,300	
Bank - \$215,000 promissory note dated March 13, 2014 secured by certain South Carolina inventory. Principal plus all accrued unpaid interest, at 6%, was due on March 13, 2014 and was paid in full on March 17, 2014.		. 162,395
Bank - \$3,750,000 promissory note dated August 30, 2013, amended and restated September 14, 2014, secured by certain Florida and Georgia inventory. The agreement allows for multiple construction loans to be created with the total loans not to exceed \$3,750,000 and expires on September 16, 2015. Each construction loan matures six (6) months from loan closing. Principal and interest are due on each construction loan at maturity. Each construction loan pays interest on a monthly basis. Interest is variable rate of ½% plus prime or not less than 5%. (5.00% on December 28, 2014).	<b>1,683,45</b> 6 ·	522,000
		•
	<u>\$ 23,941,586</u> <u>\$</u>	32,605,429
Annual minimum payments of debt for the year ending December 28, 2014 are Fiscal	e as follows:	
2015	\$ 21,112,9	
2016	2,828,0	
Total	\$ 23,941,5	586

All notes due on demand are included as scheduled payments in fiscal 2015. Such minimum payments may differ from actual payments due to principal payments required when lots are sold for certain of the above obligations.

Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

### NOTE E - RELATED PARTY TRANSACTIONS

The Companies receive administrative services under management agreements from a related company ("the management company") for a fee up to five percent of real estate sales as defined. For fiscal 2014 and 2013, related management fees incurred totaled \$4,534,182 and \$3,123,039 respectively, and are reflected in administrative expenses in the Combined Consolidated Statements of Income.

The Companies have a pay as you go arrangement with a related entity for use of certain transportation equipment. Payments amounting to \$603,428 and \$488,549 were made for usage in fiscal 2014 and 2013 respectively, and are reflected in administrative expenses in the Combined Consolidated Statements of Income.

At December 28, 2014 and December 29, 2013, the Companies had notes payable to related parties which are detailed in Note D.

At December 28, 2014 and December 29, 2013 the Companies have advanced a total of \$21,571,350 and \$20,635,994, respectively, to related parties. This total represents operational advances, accrued interest and demand notes which have interest accruing at 10%.

The Company purchased seller financed retail land loans from National Timber Partners, LLC at a discount. The outstanding principal balance as of December 28, 2014 and December 29, 2013 was \$45,581 and \$3,320,108 respectively and the unamortized discount was \$11,396 and \$421,250 respectively for a net investment of \$34,185 and \$2,898,858 respectively, included in mortgage loans receivable.

The carrying value of mortgage loans receivable pledged as collateral with NTP Timber Plus + Fund I, LP, a related party, is approximately \$1.1 million and \$7.6 million at December 28, 2014 and December 29, 2013, respectively.

### NOTE F - COMMITMENTS AND CONTINGENCIES

### **Leases**

The Companies have operating leases for certain property and equipment, which expire at various dates through August 2017. The following is a summary of minimum future rentals at December 28, 2014:

Fiscal	_	24			•		
2015	Þ						218,089
2016 2017							21,728 2,480
Total				t •*	,	•	\$242,297

For fiscal 2014 and 2013, rent expense under operating leases was approximately \$533,153 and \$432,083, respectively.

Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

### NOTE F - COMMITMENTS AND CONTINGENCIES - Continued

### **Contingencies**

The Companies are sometimes plaintiffs or defendants in legal actions incident to their business; however, none of the actions is believed by management to be material to the financial condition of the Companies.

### Letters of Credit and Bonding

In the normal course of business, the Companies sometimes sell parcels of land before all the required development for such parcels has been completed. Certain counties and municipalities require the Companies to obtain performance/completion bonds or post letters of credit from financial institutions naming the county or municipality as beneficiary to guaranty completion of certain project infrastructure at December 28, 2014 and December 29, 2013, these bonds and letters of credit had face amounts of \$16,182,823 and \$5,334,934 respectively. At December 28, 2014 and December 29, 2013, only approximately \$4,648,603 and \$1,808,000, respectively, of remaining infrastructure spending was secured by these bonds and letters of credit.

### NOTE G - DEFINED CONTRIBUTION PENSION PLAN

The Company has a retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code. Any employees who have completed six months of service and attained 21 years of age may participate in the plan. The Company will contribute an amount equal to 20% of the employee contributions. Total employee contributions are subject to limitations imposed by the Internal Revenue Service. Participant contributions vest immediately. Employer contributions vest ratably over the first six years of service or sooner in-certain circumstances defined in the plan document. The Company's expense for this plan amounted to \$65,555 and \$20,113 for 2014 and 2013 respectively.

### NOTE H - RECLASSIFICATION OF 2014 COMPARATIVE TOTALS

Certain 2013 amounts presented herein have been reclassified to conform to the 2014 presentation.

### NOTE I – SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 10, 2015 the date the financial statements were issued.

NATIONAL LAND PARTNERS HOLDINGS, LLC Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

# NOTE J - SUMMARY INFORMATION ON ENTITIES UNDER COMMON CONTROL

<u> </u>		•	-							;			
	Possum Kıngdom	Che	Chero kee Valley							Z	NLP Homes		s
	Corp.	Ноп	Homes, LLC and Subsidianes	Pa	Paeorna, LLC	Mallard F	Mallard Pond, LLC	Monte	Montejo, LLC	At Eryn'	At Eryn's Garden, LLC		Totals
Rolling Sheet	ı				ţ						r		
Cash	22,220	•	1,338,109	<b>69</b>	106,763	÷.	8,073	<b>∽</b>	372	<del>∜7</del>	3,367	<del>\$</del>	1,478,904
Inventory	,		3,642,745		1,359,775		700,032		150,015		2,380,241		8,232,808
Property, equipment and other assets	576,500		112,407		45,756		2,403		1,033		6,350		744,449
Total Assets	598,720	<u>~</u>	5,093,261	-	1,512,294	99	710,508	<del>57</del>	151,420	<b>\$</b>	2,389,958	\$	10,456,161
Accounts payable and	500	, <del>n</del>	395,893	× •	203,845	, <del>ss</del>	20,098	<b>∽</b>	5,910	<b>69</b> :	- 62,220	₩	,688,166
Accrued Expenses Notes Payable Other Lablittes		*	1,685,422	•	793,440 1,035,957		705,694 63,500		151,158 17,501		1,826,321 645,994		5,162,035 7,124,533
Partners' and owners' equity / (deficit)	598,520	3	(2,349,635)	ذ	(520,948)		(78,784)		(23,149)		(144,577)		(2,518,573)
Total Labitries and equity	598,720	~	5,093,261	. ~	1,512,294	w	710,508	, <b>⇔</b>	151,420	•	2,389,958	8	10,456,161
Components of Income							٠.						
Sales		•	10,280,690	<del>\$?</del>	571,997	<b>5</b> 9-	1	677	,	6/9		<b>67</b>	10,852,687
Gross Profit	1		3,599,780		132,856	•	(11,268)		(4,190)		,		3,717,178
Total Expenses	1,467		2,379,901		497,274		5,318		4,432		70,075		2,958,467
Income / (loss) from operations .* _	(1,467)	4	1,219,879		(364,418)	-	(16,586)	}	(8,622)		(70,075)		758,711
Other	20,525		. (663,515)		(111,866)		(55,822)		(12,389)		(74,502)		(897,569)
Net Income	19,058		556,364	٠,	(476,284)	<b>\$</b>	(72,408)	, %	(21,011)	<b>\$</b>	(144,577)	<b>⇔</b>	(138,859)

NATIONAL LAND PARTNERS HOLDINGS, LLC Notes to Combined Consolidated Financial Statements December 28, 2014 and December 29, 2013

NOTE J - SUMMARY INFORMATION ON ENTITIES UNDER COMMON CONTROL - Continued 2013	ORMA'	TION ON	ENI	ITIES UND	ĒŖ CC	MMON C	ONTR	% - 70ĭ	ntinued	r.	k ja
	Kingo	Possum Kingdom Corp	Chea	Cherokee Valley Homes, LLC	Раеол	Paeonia, LLC	Mallard Pond, LLC	ard Pond, LLC	Montejo, LLC		Total
Balance Sheet Cash Inventory	<b>↔</b>	9,462	<b>∽</b>	239,247	· •	6,034 918,353	<b>\$</b>	, 1,812 700,032	\$ 3,078	4 <b>69</b>	259,633 ,
Property, equipment and other assets		570,000		1,415,252		5,386	٥	4,638	1,641		1,996,917
Total Assets	<b>∽</b>	579,462	↔	4,381,192	<b>∽</b>	929,773	)/ <b>\$</b>	706,482	\$ 154,734	∽	6,751,643
Accrued Expenses Other liabilities	₩	1 1	<b>∽</b>	7,287,190	<del>(/)</del>	974,437	<b>*</b>	1,970	\$ 520 156,352	₩	2,490
Total Liabilities	<b>∽</b>	-	<del></del>	7,287,190	<b>∽</b>	974,437	\$ 7	712,858	\$ 156,872	<b>∽</b>	9,131,357
Partners' and owners' equity/(deficit)	, <del>∽</del>	579,462	₩	(2,905,998)	<del>∞</del>	(44,664)	٠	(6,376)	\$ (2,138)	<b>∽</b> .	(2,379,714)
Total liabilities and equity	<b>\$</b>	579,462	•>	4,381,192	₩.	. 929,773	<del>\$</del>	706,482	\$ 154,734	\$	6,751,643
Components of Income: Sales Gross profit	₩	, ,	6/7	1,563,123	<del>∨&gt;</del>	1 1	<del>\$</del>	1 1	i i	<b>↔</b>	1,563,123 424,659
Income/(loss) from operations		11,984		(935,643)		(44,764)		(6,376)	(2,138)		(976,937)
Net Income/(loss)	↔	11,984	<b>∽</b>	(649,581)	<b>∽</b>	(44,764)	₩	(6,376)	\$ (2,138)	<b>∽</b>	(690,875)

## Attachment 2

Vineyard Ridge, LLC Creation Documents

# Delaware The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF

DELAWARE, DO HEREBY CERTIFY "VINEYARD RIDGE, LC" IS DULY FORMED

UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND

HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS

OF THE FIFTEENTH DAY OF MARCH, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN ASSESSED TO DATE.

6057594 8300 SR# 20171775750

You may verify this certificate online at corp.delaware.gov/authver.shtml

Jeffrey W. Bulloca, Secretary of State

Authentication: 202197750

Date: 03-15-17

Corporations Section P.O.Box 13697 Austin. Texas 78711-3697



### Office of the Secretary of State

### Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Application for Registration for Vineyard Ridge, LLC (file number 802519222), a DELAWARE, USA, Foreign Limited Liability Company (LLC), was filed in this office on August 11, 2016.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on February 09, 2017.



13/2

Rolando B. Pablos Secretary of State

Document: 714429620005

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VINEYARD RIDGE LLC % NATIONAL LAND PARTNERS SOLE MBR 665 SIMONDS RD WILLIAMSTOWN MA 01267 Date of this notice: 08-26-2016

Employer Identification Number: 37-1834487

Form: SS-4

Number of this notice: CP 575 G

For assistance you may call us at:

IF YOU WRITE, ATTACH THE STUB OF THIS NOTICE.

### WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN 37-1834487. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

When filing tax documents, payments, and related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear-off stub and return it to us.

A limited liability company (LLC) may file Form 8832, Entity Classification Election, and elect to be classified as an association taxable as a corporation. If the LLC is eligible to be treated as a corporation that meets certain tests and it will be electing S corporation status, it must timely file Form 2553, Election by a Small Business Corporation. The LLC will be treated as a corporation as of the effective date of the S corporation election and does not need to file Form 8832.

### IMPORTANT REMINDERS:

- \* Keep a copy of this notice in your permanent records. This notice is issued only one time and IRS will not be able to generate a duplicate copy for you. You may give a copy of this document to anyone asking for proof of your EIN.
- \* Use this EIN and your name exactly as they appear at the top of this notice on all your federal tax forms.
- \* Refer to this EIN on your tax-related correspondence and documents.
- \* Provide future officers of your organization with a copy of this notice.

Your name control associated with this EIN is VINE. You will need to provide this information, along with your EIN, if you file your returns electronically.

If you have questions about your EIN, you can contact us at the phone number or address listed at the top of this notice. If you write, please tear off the stub at the bottom of this notice and include it with your letter. Thank you for your cooperation.