

IN THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Edward W. Miller, Circuit Court Judge

Case No. 2008-CP-23-05739

RECEIVED

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SC Court of Appeals

Andrew P. (Andy) Ballard, ... Respondent,

v.

Tim Roberson, Rick Thoennes, Rick Thoennes III,
and Warpath Development, Inc. Appellants.

**RECORD ON APPEAL
VOLUME II OF II**

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STATE OF SOUTH CAROLINA
COUNTY OF GREENVILLE

IN THE COURT OF COMMON PLEAS
FOR THE THIRTEENTH JUDICIAL
CIRCUIT

Andrew P. (Andy) Ballard,
Plaintiff,

vs.

Tim Roberson, Rick Thoennes, Rick
Thoennes III, and Warpath
Development, Inc.,

Defendants.

Case Number: 2008-CP-23-5739

PLAINTIFF'S EXHIBITS
FOR VALUATION HEARING

Ballard v. Roberson
Case No. 2008-CP-23-5739

PLAINTIFF'S EXHIBITS
FOR VALUATION HEARING

1.	Stock Purchase Agreement (May 29, 2007)
2.	2010 Order of the Circuit Court (May 4, 2010)
3.	Lease with Duke Power (Jan. 3, 2007)
4.	Excerpts of Defendants' Loan Applications
(a)	IBES (Mar. 31, 2009)
(b)	1 st Ticonderoga (Nov. 15, 2011)
(c)	The Shakespeare Foundation (April 11, 2012; August 12, 2012)
(d)	Dakota Holdings LLC (Dec. 11, 2012)
5.	Vinings Marine Group – offer to invest \$4,500,000 for 70% ownership (September 2012)
6.	Robertson/Thoennes' Email Exchange – (Mar. 24, 2007)
7.	Robertson/Thoennes' Email Exchange – (Oct. 28, 2007)
8.	Financial projections created by Defendants (Sept. 22, 2008; Nov. 14, 2011)

EXHIBIT 1

STATE OF SOUTH CAROLINA)
)
COUNTY OF GREENVILLE)

STOCK PURCHASE
AGREEMENT

This Agreement made and entered into this 29th day of May, 2007 by and between Andy Ballard, hereinafter referred to as *Ballard*, Tim Roberson, hereinafter referred to as *Roberson*, Rick Thoennes, hereinafter referred to as *Thoennes*, Rick Thoennes III, hereinafter referred to as *Thoennes III* and Warpath Development, Inc, hereinafter referred to as *Warpath*.

WITNESSETH

Whereas, Warpath is a South Carolina corporation presently solely owned by Ballard;
and

Whereas, Warpath is the holder of a lease on property located at Lake Keowee and is desirous of developing the property; and

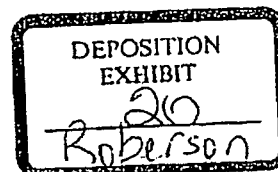
Whereas, Roberson, Thoennes and Thoennes III are in the business of property development and are desirous of being involved in the development of the project with Ballard and Warpath; and

Whereas, Ballard wishes to convey to the other parties 80% of the corporation in exchange for the purchase of one half of his stock plus an additional 60,000 shares; and

Now Therefore for and in consideration of the monetary sum stated herein and other valuable consideration the parties hereto agree as follows:

1. The group of Roberson, Thoennes and Thoennes III will pay to Ballard upon closing the sum of \$1,000,000.00 in exchange for 20,000 shares of Ballard's 40,000 shares and will receive from the corporation additional shares so that Ballard will hold 20% of the stock and the other 80% will be held by Roberson, Thoennes and Thoennes III when all shares are finally issued. When the new stock is issued the final holdings will be as follows:

Roberson	40,000 shares
Thoennes	20,000 shares
Thoennes III	20,000 shares
Ballard	20,000 shares



mla
RFB
K

2. In addition to the above the corporation will pay Ballard \$100,000.00 upon the grand opening of the Marina. An additional \$50,000.00 will be paid one year after said grand opening. Grand Opening being defined as "when the Marina opens for business."
3. Ballard warrants and represents that he holds a lease with Duke Power and the necessary approvals from Duke Power and Pickens County in order to build the development per conceptual plans for Warpath Landing. Final permits must be obtained to move forward.
4. Ballard agrees to execute a separate agreement with Warpath defining his duties in the project development which shall include but not be limited to securing dock permits, building permits, hotel leases, restaurant leases, engineering services, architectural services and any other service deemed necessary and appropriate to complete the conceptual plan for Warpath Landing. If Ballard is unable to obtain the Marina and Dock permits per the conceptual plan the \$1,000,000.00 payment will be refunded, \$250,000.00 will be refunded within 90 days and the balance within 6 months after it is determined the permits cannot be obtained.
5. Thoennes and Thoennes III will execute an agreement with Warpath defining their respective duties, including but not limited to development work, execution of loan documents, assistance with proformas, assistance with obtaining permanent financing and other such service as may be appropriate.
6. Roberson agrees to provide the necessary capital to obtain long term financing on the project. Ballard, Thoennes and Thoennes III will not receive any dividend or distribution of profit until all capital contributions of Roberson have been repaid.
7. Ballard will not be required to sign any personal guarantees to obtain financing by the corporation.
8. The parties agree that it will be necessary at a subsequent date to execute additional documents to give full validity to this Agreement and that they will mutually cooperate with each other in that regard.
9. Ballard further represents and warrants that Warpath is in good standing and that he has authority to enter into this Agreement and that Warpath has no liabilities outstanding.

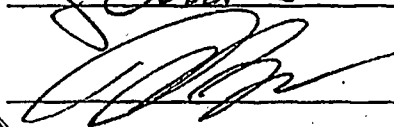
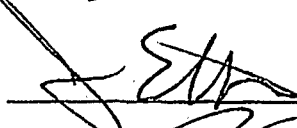
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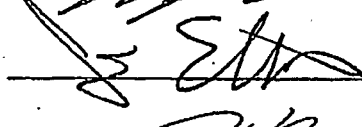
10. This Agreement shall be binding on the parties hereto, their heirs, successors and assigns.

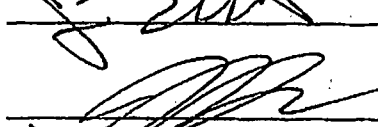
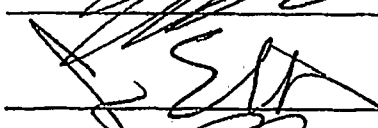
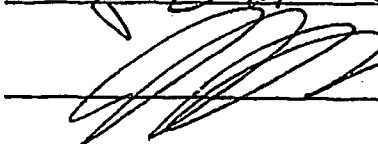
11. No part of this Agreement may be assigned without written consent of all parties.

In witness whereof the parties have set their had and seal the day first above written.

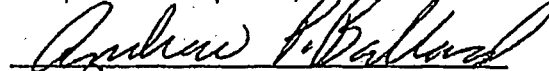
WITNESSES:

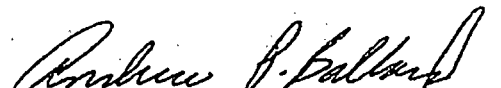






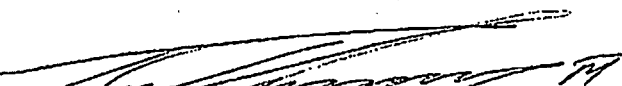




Warpath Development, Inc.


Its: President


Andy Ballard


Rick Thoennes


Rick Thoennes, III


Tim Roberson

EXHIBIT 2

STATE OF SOUTH CAROLINA

COUNTY OF GREENVILLE

IN THE COURT OF COMMON PLEAS

FOR THE THIRTEENTH JUDICIAL CIRCUIT

Andrew P. (Andy) Ballard,

Plaintiff,

vs.

Tim Roberson, Rick Thoennes, Rick
Thoennes III, and Warpath Development,
Inc.,

Defendants.

Case Number: 2008-CP-23-5739

ORDER

This case was tried on March 15, 16, and 17, 2010. This suit involves a corporation, the defendant Warpath Development, Inc. ("Warpath"). The plaintiff Andrew P. Ballard ("Ballard") is a minority shareholder in Warpath; the individual defendants are the controlling shareholders. Ballard's amended complaint alleges breach and anticipatory breach of a Stock Purchase Agreement, breach of the covenant of good faith and fair dealing, breach of Warpath's Articles of Incorporation, breaches of the individual defendants' fiduciary duties, and oppression of the minority shareholder by the defendants. The defendants brought counterclaims against Ballard alleging breach of contract, breach of contract accompanied by a fraudulent act, fraud, negligent misrepresentation, and violation of S.C. Code § 35-1-501 in connection with the sale of securities.

The case was tried to a jury. As set out below, after the presentation of the plaintiff's case and the cross examination of the defendants' first witness, the defendant Tim Roberson ("Roberson"), the defendants dismissed their counterclaims with prejudice. The Court then

dismissed the jury, the trial was completed, and the Court took the plaintiff's equitable claims under advisement.

FINDINGS OF FACT

1. Ballard is the organizer of the corporate defendant, Warpath.
2. Ballard worked several years to obtain a lease from Duke Power for property on Lake Keowee owned by Duke Energy Carolinas, LLC ("Duke") in Pickens County in order to develop a marina and associated facilities. In this connection, Ballard worked with Pickens County to approve his proposal for developing a marina on the property.
3. On January 3, 2007, Duke signed a lease with Warpath (the "Lease"), leasing the property to Warpath for use as a public park and/or public recreational area as shown on a Conceptual Plan attached to the Lease, which provided for a marina on the property.
4. After Warpath entered into the Lease with Duke, Ballard and the individual defendants entered into discussions concerning potential participation in Warpath.
5. The plaintiff and all the defendants are parties to a Stock Purchase Agreement dated May 29, 2007 (the "Agreement").
6. The Articles of Incorporation of defendant Warpath, dated September 8, 2004, authorize the issuance of 100,000 shares. Those articles have never been amended.
7. At the time the Agreement was entered into, Warpath had issued 40,000 shares, and Ballard owned all the shares.
8. Under the Agreement, the individual defendants received 80,000 shares of Warpath. They received 20,000 shares from Ballard, and they were issued an additional 60,000 shares from the corporation itself.
9. In paragraph 1, the Agreement provides that the individual defendants "will pay to Ballard upon closing the sum of \$1,000,000 in exchange for 20,000 shares of Ballard's 40,000

shares." Ballard received the \$1,000,000 personally; the corporation received no payment in connection with the closing. Roberson provided the \$1,000,000.

10. The Agreement further provides in paragraph 1 that the individual defendants "will receive from the corporation additional shares so that Ballard will hold 20% of the stock and the other 80% will be held" by the individual defendants "when all shares are finally issued."

11. The Agreement contains commitments by the individual defendants to provide funding and services to the corporation. In paragraph 6, "Roberson agrees to provide the necessary capital to obtain long term financing on the project." In paragraph 5, the defendant Rick Thoennes ("Thoennes") and Rick Thoenes III ("Thoenes III") agree to provide "development work, execution of loan documents, assistance with proformas, assistance with obtaining permanent financing and other such service as may be appropriate."

12. In paragraph 1, the Agreement also sets out the "final holdings" of the individual shareholders. Ballard's "final holding" is 20%. The Agreement further provides in paragraph 7 that Ballard will not be required to sign any personal guarantees. The Agreement provides for no obligation for Ballard to provide any additional contribution of capital or any additional funds to Warpath.

13. The corporation issued 60,000 additional shares to the individual defendants.

14. The individual defendants argue that they paid \$1,000,000 for the entire 80,000 shares. However, the Agreement and the method of payment make clear that the individual defendants paid Ballard \$1,000,000 for 20,000 of his shares. In addition, they committed to provide funding and services to the corporation and received 60,000 shares from the corporation.

15. Consistent with the plain language of the Agreement, Thoennes testified that the individual defendants earned their shares by performing their obligations to the corporation set out in the Agreement.

16. The individual defendants received 60,000 shares from the corporation in exchange for their promises to provide the funding and services to the corporation as set out in the Agreement.

17. Upon the closing, the individual defendants controlled Warpath and owned 80% of its stock.

18. The individual defendants' attorney drafted the Agreement and handled the closing.

19. Warpath did not place in escrow the 60,000 shares received by the individual defendants from the corporation.

20. Those 60,000 shares have never been placed in escrow.

21. After the individual defendants acquired their shares, they became unhappy about the development of Warpath, because Duke would approve a plan for the marina that would accommodate 102 wet boat slips, whereas the individual defendants had planned for up to 200 wet boat slips and had made financial projections based on 200 wet slips. Further, it took longer to obtain approval for permits from the South Carolina Department of Health and Environmental Control ("SC DHEC") than the individual defendants had hoped for.

22. The individual defendants decided that they wanted Ballard out of the corporation. The individual defendants admitted at trial that at one point they wanted Ballard out of the corporation. In an email dated October 28, 2007, Thoennes III wrote Thoennes and

Roberson: "Don't we want to get [Ballard] out of the deal?" Roberson replied: "I think he will take his 1M and run . . . after a little threatening, posturing and whining."

23. The individual defendants came up with a plan to issue additional stock.

Roberson wrote Thoennes on December 28, 2007:

"When an investor realizes that an expected ROI [return on investment] is not forthcoming, his only viable option is acquire more equity at a reduced rate. In order to properly refinance the project, I would suggest that we increase the number of outstanding shares to 500,000 with a mixture of both preferred and common stock. As long as the outstanding shares remain in the treasury, there is no dilution of current shareholders. However, those outstanding shares could be used as tender (same as cash) to accomplish the needs of the corporation."

24. At the time this message was written, Roberson was the only investor who had made a cash investment, by providing the \$1,000,000 for the purchase of Ballard's 20,000 shares.

25. Under the Agreement, Roberson personally has the obligation to "provide the necessary capital to obtain long term financing for the project."

26. The individual defendants approached Ballard to ask him to take action to reduce his percentage ownership in Warpath or to repay funds he had received for his 20,000 shares, in order to improve the relative financial and/or ownership positions of the individual defendants. Ballard refused to agree to a change in the ownership of the corporation or the terms of the arrangement as set out in the Agreement.

27. On May 1, 2008, a meeting was held of the shareholders of Warpath. At the meeting, the individual defendants elected themselves directors and did not elect Ballard a director. Prior to this meeting, Ballard had been a director and officer of Warpath. Ballard asked to be elected a director, but none of the defendants seconded his nomination, and his nomination failed for lack of a second.

28. After they elected themselves directors, the individual defendants passed a Board resolution proposing that Warpath issue an additional 900,000 shares beyond the 100,000 shares outstanding and authorized by the Articles of Incorporation, "in order to raise capital, pay expenses and offer employee incentives." The Board then presented a resolution to the shareholders authorizing the issuance of the 900,000 shares "for the purpose of raising additional capital, paying expenses and offering employee incentives." That resolution was passed by the votes of the individual defendants, with Ballard dissenting.

29. The minutes of the shareholder meeting contain no authorization for amendment of the Articles of Incorporation.

30. At the meeting, Roberson was elected President of Warpath, Thoennes III was elected Vice President, and Thoennes was elected Secretary-Treasurer. They remain in those offices today.

31. After this meeting, Ballard was excluded from the management and planning for Warpath and was not kept informed concerning any plans for financing the development of the project.

32. After this meeting, on July 30, 2008, Ballard filed suit seeking an injunction against the issuance of stock beyond the 100,000 shares already issued. In response, the defendants filed an answer and counterclaims, accusing Ballard of breach of contract and breach of contract with a fraudulent act and alleging promissory estoppel, based on Ballard's allegedly purposeful false statements regarding approvals from Duke and Pickens County.

33. During discovery, Roberson testified that he planned to employ the husband of his niece, his niece, two of his sisters, and a friend at the marina once it was operating.

34. After discovery, on August 25, 2009, Ballard amended his complaint to add claims of breach of fiduciary duty and oppression of the minority shareholder, among other things.

35. Thereafter, on August 27, 2009, after Ballard amended his complaint and while the litigation was pending, the defendants issued a notice of shareholder meeting where they proposed to elect a slate of directors that would include Ballard as a director.

36. On September 29, 2009, the shareholder meeting was held, and Ballard was elected one of four directors at the motion of the individual defendants, as were the individual defendants.

37. Subsequent to that election, there has been no meeting of the board of directors of Warpath. The individual defendants have not shared with Ballard any plans or proposals for the financing of the Warpath development, and Ballard has not received updates on the status of the development or the finances or financial plans of Warpath. The election of Ballard as a director was a litigation tactic and did not provide him any meaningful role in the governance of Warpath.

38. In response to the amended complaint, the defendants filed counterclaims that accused Ballard of breach of contract, breach of contract accompanied by a fraudulent act, fraud, negligent misrepresentation, and violation of S.C. Code § 35-1-501 in connection with the sale of securities. The defendants alleged that Ballard made intentionally false representations regarding the marina in connection with the sale of the Warpath stock.

39. At trial, after the cross examination of Roberson by Ballard's counsel, it became clear that the evidence did not support the defendants' counterclaims and that, in particular, there was no evidence that Ballard had defrauded the defendants.

40. At trial, after the cross examination of Roberson by Ballard's counsel, the defendants dismissed their counterclaims with prejudice.

41. After dismissal of the counterclaims with prejudice, the Court dismissed the jury, heard the remaining evidence, and took Ballard's equitable claims under advisement.

42. Prior to trial, the Court had entered an order enjoining the defendants from issuing any additional stock until the entry of final judgment in this case.

CONCLUSIONS OF LAW

1. S.C. Code § 33-6-210 (e) (emphasis added) provides that "[e]xcept as otherwise provided in subsection (f) [not relevant here], *the corporation must place in escrow* shares issued for a contract for future services or benefits or for a promissory note."

2. By its plain language, this statute is mandatory and requires the corporation to place in escrow shares issued for a contract for future services or benefits.

3. In connection with the Agreement, the individual defendants obtained 80,000 shares of Warpath. The individual defendants were issued 60,000 shares by Warpath. Ballard owned 40,000 shares, and the individual defendants bought 20,000 of his shares. Ballard personally received \$1 million from the individual defendants for his 20,000 shares. The Agreement provides that Ballard received "\$1,000,000 for 20,000 shares of Ballard's 40,000 shares" and that the defendants "will receive from the corporation additional shares." The corporation received no payment from the defendants for the additional 60,000 shares.

4. Instead, in the Agreement, the individual defendants agreed to perform services for, provide capital to, and arrange for long term financing for the corporation. The \$1 million

was paid to Ballard personally. The remaining 60,000 shares obtained by the defendants were issued by the corporation, which received none of the \$1 million.

5. These 60,000 shares were issued for a contract or contracts for future services or benefits, as set out in S.C. Code § 33-6-210 (e). Under the plain language of the statute, they must be placed in escrow.

6. In his amended complaint, Ballard did not state a claim under S.C. Code § 33-6-210 (e). However, at trial, both parties argued this issue extensively and the Court received post-trial briefing on the issue. At trial, Ballard moved to amend his amended complaint to add this claim. The Court grants this motion. See SCRCP 15 (a) & (b).

7. The defendants are ordered to place in escrow the 60,000 Warpath shares that were issued to the individual defendants by Warpath.

8. Ballard's Twelfth Cause of Action seeks relief under S.C. Code §§ 33-14-300 and 310. Under those statutes, a Court may "provid[e] for the purchase at their fair value of shares of any shareholder, either by the corporation or by other shareholders" and may "direct[] or prohibit[] any act of the corporation or of shareholders, directors, [or] officers" upon a finding that "the directors or those in control of the corporation have acted, are acting, or will act in a manner that is illegal, fraudulent, oppressive, or unfairly prejudicial either to the corporation or to any shareholder." S.C. Code §§ 33-14-300 (2)(ii) and 310 (d)(3) and (d)(4).

9. Under Kiriakides v. Atlas Food Systems & Services, Inc., 343 S.C. 587, 603-06, 541 S.E.2d 257, 266-68 (2001), the Court must evaluate whether the conduct and actions of the defendants toward Ballard are "oppressive" or "unfairly prejudicial"; the Court does not evaluate the "reasonable expectations" of the minority shareholder.

10. The Court examines and weighs the "totality of the circumstances" in determining whether a buyout or other relief is appropriate. Kiriakides, 343 S.C. at 606, 541 S.E.2d at 268.

11. In this case, the totality of circumstances demonstrates that the individual defendants acted oppressively towards Ballard as the minority shareholder and acted in a way that was unfairly prejudicial to him.

12. The evidence demonstrates that:

- (a) After obtaining control of the corporation, the individual defendants determined they wanted Ballard out of the corporation;
- (b) The individual defendants decided to have the corporation issue additional stock to increase their return on investment;
- (c) The individual defendants removed Ballard as a director by refusing to elect him as one of four directors at the first stockholders meeting after they obtained control of the corporation, even though Ballard was the founder and organizer of the company and one of four shareholders;
- (d) Even though Roberson had the contractual obligation to provide the necessary capital for the corporation to obtain long term financing, the individual defendants passed a corporate resolution to issue additional stock to raise capital;
- (e) Upon the issuance of the additional 900,000 shares, Ballard's ownership in Warpath would have been reduced to 2%, a tenth of his "final holdings" as provided in the Stock Purchase Agreement;
- (f) After Ballard was no longer a director, he was excluded from the management of Warpath and was not provided information concerning the status of any efforts to finance the development or any periodic updates on the status of the development;

(g) While the litigation was pending and after Ballard filed additional claims alleging violations of fiduciary duty and corporate oppression, the individual defendants called a shareholder meeting and elected Ballard a director. Thereafter, they never held a meeting of the board of directors and did not provide Ballard with substantive information regarding the finances, financial plans, and development plans for the marina. The election of Ballard was a litigation tactic and did not provide Ballard any meaningful role in the governance of Warpath;

(h) Roberson, who is the President of Warpath, testified that he plans to employ his niece's husband, his niece, his two sisters, and a friend at Warpath. Ballard is not an employee of Warpath, and there was no testimony of any plans to make him an employee. The corporate resolution passed by the individual defendants also allows for stock to be issued to offer "employee incentives." Thus, Roberson intends to have Warpath employ members of his family and a personal friend, and the corporate resolution passed by the defendants provides that his family and friend may receive stock in the company. Ballard will not receive a salary from the company and will not receive stock as an employee incentive, since he is not an employee of Warpath and there are no plans for him to be an employee of Warpath;

(i) The Articles of Incorporation of Warpath provide for the issuance of 100,000 shares of stock; they have never been amended; and the stockholders of Warpath have never authorized an amendment of the Articles of Incorporation increasing the amount of authorized shares beyond 100,000. Thus, the resolution adopted by the shareholders authorizing the issuance of 900,000 additional shares is contrary to the Articles of Incorporation of Warpath, and any issuance of stock by Warpath beyond the 100,000 shares already issued would be in violation of the Articles of Incorporation;

(j) The defendants filed and pursued counterclaims against Ballard making serious allegations against him of intentional false statements in connection with the sale of securities. At trial, there was no evidence to support these claims of fraud, and the evidence presented at trial did not support the counterclaims asserted by the defendants. After Roberson's cross examination, it was apparent that there was no basis for the counterclaims. Roberson's testimony included admissions that Ballard had told the defendants exactly what Duke had told them regarding wet slips, that Ballard was not responsible for the period of time taken by SC DHEC to issue permits, and that the defendants knew that the issuance of the permits was uncertain. Thus, the individual defendants, who are officers, directors, and majority shareholders of Warpath, made baseless counterclaims against Ballard, the minority shareholder.

13. The defendants have argued that Ballard has preemptory rights to purchase stock when stock is issued pursuant to the resolution adopted by the individual defendants. However, that argument disregards the provisions of the Agreement. The Agreement provides that Roberson has the obligation to provide the necessary capital to obtain long term financing and specifically provides that Ballard will not even be required to sign any personal guarantees. The Agreement likewise provides that Ballard's "final holding" will be 20% of the company. The authorization to issue stock to raise capital was thus contrary to the terms of the Agreement, which places that obligation on Roberson, and Ballard specifically has no obligation under the Agreement to provide additional capital to the corporation in order to maintain his final holding of 20%.

14. Therefore, the Court finds the defendants acted in a manner that is illegal, oppressive, and unfairly prejudicial to Ballard, within the meaning of S.C. Code § 33-14-300 (2)(ii).

15. The Court has observed the parties during pretrial proceedings and during the trial and has reviewed materials regarding their business relationships during pretrial motions and at trial. From the evidence and the Court's observation of the trial proceedings and based on the findings set out above, the Court concludes that the proper equitable remedy is to provide for the purchase of Ballard's shares at their fair value by the defendants, jointly and severally, as set out in S.C. Code § 33-14-310 (d)(4). This remedy is the appropriate one given the conduct of the defendants as found above. It also is apparent that the plaintiff and the individual defendants are no longer compatible as co-owners of Warpath.

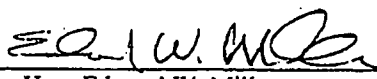
16. In order to provide for the purchase of Ballard's shares, the Court must determine the fair value. The Court directs the parties to communicate and attempt to agree on an appraiser or valuation expert for the valuation of Ballard's shares, taking into account the Agreement. If the parties are unable to agree on an appraiser or valuation expert by May 10, 2010, the parties are instructed to separately provide to the Court by May 17, 2010, the names of three proposed appraisers or valuation experts, without either party disclosing its list to the other. The Court will then select an appraiser or valuation expert to value Ballard's shares, taking into account the Agreement. Thereafter, the Court will consult with the parties to set a date for a valuation proceeding.

17. The Court has previously entered an injunction against the issuance of further shares of Warpath until the entry of final judgment. That injunction remains in place, according to its terms, and is also reaffirmed in order to preserve the status quo pending the purchase of Ballard's shares.

18. Ballard's remaining causes of action seek an injunction against the issuance of additional shares and the return by the individual defendants to Warpath of the 60,000 shares

they received from the corporation. Since the Court orders the defendants to buy Ballard's shares and since the existing injunction will stay in place until that purchase is complete, the Court need not and will not address Ballard's other claims at this time.

IT IS SO ORDERED.

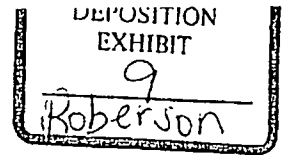


The Hon. Edward W. Miller
Circuit Judge

Greenville, South Carolina

5-3, 2010

EXHIBIT 3



STATE OF SOUTH CAROLINA)
COUNTY OF PICKENS)

PUBLIC ACCESS AREA
LEASE AGREEMENT

Site: 007641
Land Unit: 0057616
Project No. 007641-203933

THIS LEASE ("Lease") is made this 23 day of JUN, ~~2006~~ ^{2007 A.P.B.} between DUKE ENERGY CAROLINAS, LLC ("Duke"), a North Carolina limited liability company ("Lessor"), and WARPATH DEVELOPMENT, INC., a South Carolina corporation ("Lessee");

WITNESSETH:

WHEREAS, Lessor has been licensed by the Federal Energy Regulatory Commission ("FERC") to operate the Keowee-Toxaway Hydroelectric Project (FERC NO. 2503) (the "Project"), which impounds the waters of the Keowee and Seneca Rivers, including Lake Keowee in South Carolina, and which Project is subject to regulatory oversight by the FERC; and,

WHEREAS, Lessee desires to lease a portion of said Project property on Lake Keowee located at the Warpath Landing Public Access Area for the purpose of constructing and maintaining a public park and/or public recreational area; and

WHEREAS, all of said Project property to be leased has been designated as "Public Access Areas" under the terms of Lessor's FERC License; and

WHEREAS, Lessor desires to accommodate Lessee's construction, operation and maintenance of a public park and/or public recreational area upon the Project property to be leased while at the same time not interfering with Lessor's ability to operate and maintain the Project in accordance with its license, other FERC requirements, and its business operations; and,

WHEREAS, Articles 5, 18, and 47 of the FERC license for the Project grant Lessor (as licensee of the Project) the authority to grant permission for certain types of use and occupancy of Project lands and waters and to convey certain interests in Project lands and waters for certain types of use and occupancy provided the proposed use and occupancy is consistent with the purpose of protecting and enhancing the scenic, recreation, and other environmental values of the Project.

NOW, THEREFORE, Lessor, for and in consideration of the covenants and leases hereinafter expressed, to be kept and performed by Lessee, hereby leases to Lessee and Lessee hereby leases from Lessor, the sixty-three (63) acres of Pickens County / Warpath Development, Inc. Access Area

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property located in Pickens County, South Carolina, shown on the map attached hereto as **Exhibit A** and incorporated herein by reference (the "Leased Premises"), pursuant to the following terms and conditions:

1. Term: This Lease shall begin on the ____ day of _____, 2006, and shall terminate on the 1st day of September, 2046 except that if Lessee is in full compliance with all the terms of this lease, as determined by Lessor, the Lease shall be automatically extended consistent with the terms of any extension of the current FERC license and upon such additional terms as agreed upon by both parties. Lessor may terminate this lease at any time if directed to do so by the FERC or its successor agency. Lessor may also terminate this lease pursuant to Paragraph 29 herein.

2. Disclaimer of Warranties of Conditions: Lessee accepts the Leased Premises "AS IS". Lessor makes no warranties or representations as to the condition of the Leased Premises or any improvements thereon, whether open and obvious or concealed. Lessor makes no representation or warranty, express or implied, and will bear no responsibility as to the existing or future water quality or quantity in Lake Keowee or its tributaries or the sufficiency or suitability of the Leased Premises for use as a public park and or public recreation area.

3. Rent and/or Other Consideration: In lieu of rental payments to Lessor, Lessee shall pay directly to Pickens County, South Carolina ("Pickens") the sum of Twelve Thousand Dollars (\$12,000) annually, in advance, for each of the initial five years of the Lease term, to be used by Pickens County exclusively to supplement County funding to support public recreation on Lake Keowee, provided however, that Lessee is exempt from such payment for the initial two years of the Lease, which two year period shall begin with Lessee's marina permit approval and issuance by South Carolina Department of Health and Environmental Control ("SCDHEC"). Specifically, these funds shall be used to supplement County funding in support of operations, maintenance, and capital improvement activities at Mile Creek Access Area, Crow Creek Access Area, and other public recreation facilities for which Pickens County is responsible that are also within or adjoining the FERC Project Boundary ("Public Access Areas"). At the conclusion of each five year period of the Lease, Duke, Warpath and Pickens County shall renegotiate and recalculate the amount due to Pickens County under this section by taking the existing sum for the period, and increasing it by five percent (5%) and/or other consideration terms for an additional five year period, based upon changes in the costs for operation and maintenance of the Public Access Areas. The Rent and/or other consideration flowing from Lessee to Pickens County may be in the form of an annual lump sum payment, in-kind services (provided they are approved in advance by Pickens County), or a combination of the two, which will be allocated by Pickens County exclusively to support public recreation on Lake Keowee.

4. Permitted Uses: The Leased Premises shall be used by Lessee for development, operation and maintenance of public park and/or public recreational area as shown on and described in the Conceptual Plan submitted by Lessee, which is attached hereto as **Exhibit B** and incorporated herein by reference and for no other purpose unless it is a compatible

Pickens County / Warpath Development, Inc. Access Area

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use, such as the provision of recreation related goods and services, which may be permitted on site when authorized in advance, in writing, by Lessor. Any public park and/or public recreation area may include, but is not limited to, the following types of development:

- a. **Public Park or Recreation Areas** - Areas that have developed recreation facilities, such as picnic tables, and pavilions; nature centers or wildlife viewing areas; pedestrian, bike or horse trails; swimming beaches and bath houses; restrooms; boat launching ramps and fishing piers, primitive and developed campgrounds, cabins, and hotel lodging; conferencing facilities; park stores and restaurants; marinas with wet slips, dry stack storage, waste pump out facilities and gas sales (land or water); maintenance and related structures or facilities that directly support park operations and maintenance; living quarters for park personnel; and other related outdoor recreation facilities or amenities; or
- b. **Nature Preserve/Research Areas** - areas that provide land and promote the development of cooperative partnerships to enable preservation activities, conservation easements and/or research.

Lessor agrees to assist Lessee in its efforts to secure proper permits and certification to effect its Conceptual Plan and further agrees to provide proper and reasonable documentation upon request by proper parties to assist Lessee in obtaining same. Lessor and Lessee further agree that if Lessee is denied permits, or for reasons beyond its control cannot acquire permits or proper certificates to proceed with its Conceptual Plan, Lessee may at its option and by providing written notice to Lessor, cancel this Lease without incurring liability to Lessor.

5. **Public Use of Facilities, User Fees and Hours of Operation:** Use of any and all public park and public recreation area facilities, including such public service/convenience facilities as restrooms, water faucets, public communications equipment, trash receptacles, etc., constructed or placed on the Leased Premises by the Lessee shall be available for use by all members of the public during the times specified in "**Exhibit C: Hours of Operation and User Fees,**" a copy of which is attached hereto and incorporated herein by reference. Lessee shall not implement a specific user fee for public boat launching. Lessee agrees that Lessor's employees, third party contractor employees, local law enforcement officials local environmental and public health officials, and local emergency response crews operating in his/her official capacity will be exempt from all nominal user fees. Any proposed changes in the schedule of user fees or hours of operation by the Lessee must be submitted in writing to the Lessor for approval at least sixty (60) days prior to proposed implementation. The proposed changes shall not be implemented until Lessee receives written approval of the proposed changes from the Lessor. Contracts or subleases with third parties regarding the sale of goods or services on the Leased Premises must be submitted to Lessor at least sixty (60) days prior to proposed implementation and shall not be executed until Lessee receives written approval of the contracts or subleases from the Lessor.

Lessee agrees to submit an Annual Operational Report in the form of Exhibit D, attached hereto and incorporated herein by reference, to assist Lessor in its FERC reporting requirements.

6. Conceptual Plan: Lessee has submitted a Conceptual Plan to Lessor for Lessor's approval which includes both a narrative and graphic description of all facilities to be constructed on the Leased Premises, the construction schedule including any planned phasing, and projected completion dates. Lessee shall not revise the Conceptual Plan, including the construction phases and/or schedule, without the prior written approval of Lessor, which may be granted or denied in Lessor's sole discretion. Major additions or modification will typically require review by other government regulatory agencies and may require FERC approval.

Should FERC require additional recreation facilities to be located at the Leased Premises during the Lease term, Lessor shall arrange a meeting with Lessee to determine what facilities must be added, where the facilities can be added, an estimated cost for adding the facilities, and the timing for construction of the additional facilities. Lessor and Lessee will then evaluate their available resources to determine how and when the required additional recreation facilities will be constructed, and if those resources will be in dollars, 'in kind' services or a combination thereof. A revised Conceptual Facilities Plan will be developed based on the results of the meeting. Once the Lessee and Lessor are in agreement with the revised Conceptual Plan, the parties will enter into a revised lease.

7. Joint Annual Inspection: Lessor and Lessee shall perform a joint annual physical inspection of the Leased Premises each year for the term of this lease, to ensure the Leased Premises are being operated and maintained to acceptable standards.

8. Entry by Lessor: Lessor, its agents and representatives, may enter the Leased Premises at all reasonable times, to examine the same, and any such entry by or on behalf of Lessor shall not be or constitute an eviction, partial eviction or deprivation of any right of Lessee and shall not alter the obligations of the Lessee hereunder or create any right in Lessor adverse to the interest of the Lessor.

9. Maintenance: Lessee shall, at its sole expense, maintain all existing and new improvements located within the Leased Premises in good repair, including, but not limited to, maintenance of those facilities listed in the Conceptual Plan (Exhibit B), any required navigation safety devices, and erosion control structures within the Leased Premises and along the shoreline. In the event Lessee fails to properly maintain such improvements and facilities, Lessor may terminate this lease and retake possession of the Leased Premises, as set forth in Paragraph 30.

10. Signage: Lessor shall prescribe all information required by Lessor's FERC License for entrance and regulation signs, and Lessee shall fabricate, erect and maintain all said signs in accordance with such requirements.

11. Illegal and Prohibited Uses: Lessee shall not make or permit to be made any illegal or prohibited use of the Leased Premises or any use thereof constituting a public nuisance, shall keep the Leased Premises in a neat and orderly manner, and shall comply with all applicable building codes and health regulations and rules and regulations of any and all applicable government authorities. All water and sanitary sewer facilities shall be designed, installed, constructed, maintained and operated only with the approval of the applicable government authority. Prohibited uses under the terms of the Lease include but are not limited to the following:

- a) Sale of drugs or other illegal controlled substances;
- b) Gambling (e.g. installation of video gaming machines that pay off);
- c) Creation or installation of firearm or shooting ranges;
- d) Limiting facility access to predetermined user groups (for example, only slip owners may use the restroom facilities).

12. Fire Protection: In the event of a fire within or threatening to any facility or adjacent lands within the Leased Premises, Lessee agrees to assist Lessor with the protection of the park or recreation area against such fire.

13. Approval by FERC: This Lease is subject to the review and approval of Federal, State, and local agencies and FERC prior to execution.

14. Portions of Leased Premises Subject to FERC Oversight: As to those portions of the Leased Premises designated as Public Access Areas under the terms of Lessor's license for the Project and being shown and designated "FERC Project Area" on the FERC Keowee Toxaway Development Plans, Lessee agrees that its use of the Leased Premises will comply with FERC Order No. 313, a copy of which is attached hereto as Exhibit E and incorporated here in by reference, and all regulations or directives issued by the FERC. Lessee's use of the aforesaid lands will not endanger health or safety, create a nuisance or otherwise be incompatible with the overall recreational use of the Keowee Toxaway Hydroelectric Project FERC Project No. 2503. Failure by Lessee to maintain and operate the FERC required facilities and areas of the Lease Premises to the standards reasonably required by the FERC shall constitute a default under the terms of this lease pursuant to Paragraph 29.

15. Compliance with State, Federal and Local Laws: Lessee agrees that its use of the Leased Premises as hereinafter provided will be consistent with all FERC orders and regulations regarding recreation opportunities and development in licensed projects, and all other applicable state, federal and local laws as well as all ordinances, rules, regulations and

Pickens County / Warpath Development, Inc. Access Area

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sanctions of any regulatory body or governmental agency (state, federal or local) having jurisdiction in the Leased Premises. Lessee's use of the Leased Premises will comply with all applicable Duke Shoreline Management Guidelines and will not endanger health or safety, create a nuisance or otherwise be incompatible with the overall recreation use of the Project. Upon request by Lessor, Lessee shall re-enter the Leased Premises at any time after the termination or expiration of this Lease and perform such operations necessary for compliance with then applicable law, ordinances or regulations in force as of the termination date. Lessee shall be relieved of any responsibility for compliance under this Paragraph 15 if during the Lease term Lessor causes noncompliance by changing conditions upon the Leased Premises, including but not limited to, land use patterns, or causing or allowing any third party to do so.

16. Protection of Environment: All necessary precautions shall be taken during construction and subsequent operation and maintenance of all facilities to protect and enhance the scenic, environmental, recreational and cultural values of any affected lands and waters of the Project.

17. Archaeological Resources: If any archaeological resources are discovered during construction or maintenance activities, such activities shall be halted and the State Historic Preservation Officer shall be contacted to determine what measures, if any, are needed to protect or salvage the resources and Lessee shall notify the Lessor. Written notice shall be given to Lessor and all other appropriate agencies of any such discovery and the measures being implemented, if any are required.

18. Watercraft: Lessee shall require that any watercraft more than twenty (20) feet in length or more than ten (10) feet in width moored within or attached to the Leased Premises must have affixed thereto a certification label indicating that same was manufactured in compliance with the Federal Boat Safety Act of 1971. Excepted from this requirement are watercrafts in safe condition manufactured prior to the effective date of the Federal Boat Safety Act of 1971.

19. Sanitation: Lessee must install a commercially manufactured marine sewage pump-out system if the Lessee permits any one of the following: 1) the sale of boat fuel within the project boundary; 2) a total number of boat docking locations greater than or equal to sixty-five (65); or 3) the mooring of twenty-five (25) or more watercraft with Marine Sanitation Devices (MSD's) with a fixed holding tank. The Lessee may be exempted from this requirement if Lessee provides written documentation from a state or local agency having jurisdiction regarding waste disposal that the facility cannot be permitted to dispose of waste collected from watercraft to the satisfaction of applicable regulations. Lessee shall maintain sanitation facilities as a regular and customary service for pump and or deposits of waste.

20. Utility Easement: Lessor for itself, successors and assigns, reserves the right and, privilege to build, construct, maintain and operate electric distribution and/or transmission lines on, over, and above the Leased Premises, and to erect

construct, reconstruct, replace, maintain and use towers, poles, wires, cross arms and other appliances and fixtures for the purpose of transmitting or distributing electric power, for Lessor's communication purposes, and for any other purpose that is, in Lessor's sole discretion, consistent with its business operations, together with the right to keep said lines, appliances, and fixtures free of structures, trees and other objects that may endanger or interfere with same. Lessor will notify and consult with the Lessee as to the plans for the construction of any buildings or structures to be placed within the Leased Premises, necessary to conduct Lessor's business.

21. Reservation of Use: The right to use the Leased Premises for Project purposes (not inconsistent with the activities and purposes of this Lease) is hereby reserved to the Lessor, its successors and assigns.
22. Reservation of Authority: No terms or conditions herein contained shall be construed as limiting or affecting in any way the authority of Lessor in connection with its exercise of proper protection and administration of the Public Access Areas or its FERC license.
23. FERC License Conflicts: This Lease is subject to the terms and conditions of the license issued by the FERC for the Project. In the event of any conflict between the terms and conditions of this Lease and the terms of the license, it is agreed that the terms of the license shall prevail.
24. Transfer or Assignment: The Lessee may not transfer or assign this Lease or sublease the whole or any part of the Leased Premises to any third party or parties without the prior written consent of the Lessor. Lessor understands and agrees that Lessee may sublease portions of the Leased Premises for facility development, operation and/or maintenance, and hire third parties to manage certain facilities, in accordance with the Conceptual Plan (Exhibit B) as provided in Paragraph 5 herein. However, Lessee will at all times be considered as owner of the facilities and the entity ultimately responsible for construction, operation, and maintenance of the facilities described in the Conceptual Facilities Plan, and no sublease or assignment hereunder shall diminish Lessee's responsibility to Lessor hereunder.
25. Taxes and Assessments: Lessee shall be responsible for all ad valorem property taxes (real or personal) or payments in lieu thereof as may be due during the lease term on the Leased Premises and for any buildings or improvements thereon including the personal property of Lessee.
26. Insurance by Lessee: Lessee agrees that, at its own cost and expense, it shall obtain and maintain in force during the term of this Lease the insurance policies listed in Attachment 1, a copy of which is attached hereto and incorporated by reference as if more fully set forth herein, and shall require any subcontractors doing work on the Leased Premises to obtain and maintain in force the requirements of Attachment 1, Items 5 and 6.

27. Hazard Insurance: Lessee shall also, at all times during the term of this Lease, keep all improvements which are now or hereinafter a part of the Leased Premises insured against loss or damage by fire and the extended coverage hazards for one hundred percent (100%) of the full replacement value of such improvements. Any loss adjustment shall require the written consent of both Lessor and Lessee. In the event any improvements upon the Leased Premises shall be damaged or destroyed by fire or other casualty, then Lessee shall promptly restore same to the condition existing before such loss or damage.

28. Hazardous Materials: Lessee shall comply with the following:

a) Lessee shall not bring to or handle, store, dispense, transport or locate on or about the Leased Premises any chemical substances, asbestos, oil, gasoline, other petroleum products, formaldehyde, PCBs, or any toxic, carcinogenic, radioactive or hazardous wastes, materials, substances or contaminants (known collectively "Hazardous Materials"), without Lessor's prior written authorization.

b) While handling, transporting or storing any Hazardous Materials on or about the Leased Premises Lessee shall act in full compliance with all applicable federal, state and local laws, ordinances and regulations.

c) Lessee shall give Lessor immediate written notice of any problem, spill, discharge or threatened discharge of, or relating to, Hazardous Materials on or about the Leased Premises, and of any private or governmental investigation relating to Hazardous Materials on or about the Leased Premises. Lessor shall have the right to participate in and approve any environmental assessment or environmental clean-up plan for the Leased Premises.

d) Lessee, its employees, agents and contractors, shall fully cooperate with any and all federal, state and local governmental officials having jurisdiction over the Leased Premises in resolving any environmental problem.

e) Lessee's failure to comply strictly with the provisions and mandates of this Paragraph shall constitute a breach of this lease, entitling Lessor to terminate this lease and to exercise any other rights and remedies available to Lessor hereunder or otherwise.

29. Default: The following events ("Events of Default") shall be deemed to be events of default by Lessee under this Lease:

a) If Lessee shall fail to pay any sum of money payable hereunder on the date the same is due and such failure shall continue for a period of sixty (60) days after due written notice thereof to Lessor; or

b) If Lessee fails to comply with any term, provision or covenant of this Lease other than the payment of any sum of money, and shall not cure such failure within sixty (60) days after due written notice thereof to Lessee; provided, however, if Lessor, in its sole discretion, determines that such failure

cannot be cured within sixty (60) days, Lessee shall be in default under this lease if Lessee fails to commence to cure such failure within the same sixty (60) day period or thereafter fails to act to diligently and promptly cure such failure; or

c) If Lessee voluntarily discontinues or voluntarily ceases to use the Leased Premises and the Improvements for the permitted use or closes its operations on the Leased Premises for any period greater than ninety (90) days; or

d) If Lessee falls behind schedule on the construction of facilities approved as part of the Conceptual Plan (Exhibit B) and fails to notify Lessor and follow the requirements set out in this Lease; or

e) Any other event of default specifically addressed in the paragraphs contained herein.

Upon the occurrence of an Event of Default hereunder, Lessor shall be entitled to pursue any one or more of the following remedies without notice or demand:

- a) Terminate this Lease and Lessee's right of possession of the Leased Premises in which event Lessee shall immediately surrender the Leased Premises to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to or any other remedy which it may have for such Event of Default, enter upon and take possession of the Leased Premises, and expel or remove Lessee and any other person or entity who may be occupying the Leased Premises or any part thereof, by force, if necessary, without being liable for prosecution or any claim for damages therefore;
- b) Without having terminated this Lease, terminate Lessee's right of possession of the Leased Premises, by force, if necessary, without being liable for prosecution or any claim for damages therefore, and perform Lessee's obligations under this Lease, and Lessee shall reimburse Lessor upon demand for any expenses which Lessor may incur in effecting compliance with the terms of the lease and Lessor shall not be liable for any damages resulting to Lessee from such actions;
- c) Bring suit for the collection of any amounts for which Lessee is then in default, or for the performance of any other covenant or lease by which Lessee is bound, with or without entering into possession or terminating this Lease.
- d) In the event Lessor elects to terminate this Lease by reason of the occurrence of an Event of Default, this Lease shall terminate and come to an end as if that were the date originally fixed herein for the expiration of the Term hereof. Notwithstanding such termination, Lessee shall be liable for and shall pay to Lessor all indebtedness accrued hereunder to the date of such termination.
- e) In case of any Event of Default or breach by Lessee, Lessee shall also be liable for the costs of removing and storing Lessee's or any other occupant's personal property; and all expenses incurred by Lessor in enforcing or defending Lessor's rights and/or remedies, including reasonable attorney's fees.

It is expressly agreed and understood that violation of any of the covenants, conditions, terms or provisions of this Lease by Lessee shall terminate this Lease at the option of the Lessor. Failure of Lessor to exercise any of said rights of Lessor under this Lease shall not be construed as a waiver or abandonment of the right thereafter to exercise any or all of same. In the event that the Lessor terminates this Lease under any of the above written conditions, the Lessor may enter the Leased Premises and expel the Lessee there from; or the Lessor may, in lieu thereof or in conjunction therewith, pursue any other lawful right or remedy incident to the relationships created by this Lease. Lessor must give sixty (60) days' notice in writing to Lessee of its intent to terminate, except that only thirty (30) days' written notice shall be required for termination for nonpayment of rent or taxes. Lessee shall have the right to cure any violation during said sixty-day (or thirty-day, as the case may be) notice period, in which event Lessor may not terminate this Lease.

In the event that this Lease is terminated by Lessor for any reason other than those listed as "Events of Default" above or expires, all buildings, improvements, fixtures and other items of real property shall become the property of the Lessor. Lessor, however, shall reimburse Lessee for its contribution to this Lease and its actual cost for all capital improvements, based on a life expectancy and depreciation schedule agreed to by Lessor and Lessee once the capital improvement total cost has been determined and a depreciation schedule has been developed and before the facilities have been installed on site. At the option of Lessor, Lessee shall remove all personal property within thirty (30) days of the termination or expiration of the Lease as directed by Lessor, Lessor may at its option retain and use any portion of same or remove and dispose of any portion of same without liability to Lessor and shall be reimbursed by Lessee for its cost thereof.

30. Surrender of Lease: The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof shall not work a merger and shall, at the option of Lessor, terminate all or any existing subleases or sub tenancies, or may at the option of Lessor, operate as an assignment to it of any or all such subleases or sub tenancies.

31. Condemnation: If the whole or any part of the Leased Premises is taken or condemned by any competent authority for any public use or purpose, then this Lease shall automatically terminate as to the portion taken as of the date said title shall be taken. If a portion of the Leased Premises shall be taken so as to render the remainder thereof unusable for the purpose for which the Premises were leased, then this Lease shall terminate as of the date said title shall be taken. In the event that any portion of the Leased Premises shall be taken or this Lease shall be terminated as a result of a taking of the whole or a portion of the Leased Premises, Lessee shall have no claim against Lessor for the value of any unexpired portion of the lease term. Lessor shall be entitled to the entire award given, including any special damages, except that, to any portion of payment received by way of just compensation which is attributable to the value, if any, of any capital improvements, taken or damaged, Lessee shall be entitled to receive a pro-rata share thereof based on the percentage thereof.

its funding contribution therein bears to the total capital costs thereof. In the event that either party should disagree with the valuation given within any award to any improvements taken or damaged, or be unable to agree between themselves as to such value, the parties agree to arbitrate such question of valuation and to apportion their award so as to separately set forth the contributing value, if any, of each improvement taken or damaged.

32. Severability: The provisions hereof are independent covenants and should any provision or provisions contained in this lease be declared by a court or other tribunal of competent jurisdiction to be void, unenforceable or illegal, then such provision or provisions shall be severable and the remaining provisions hereof shall remain at Lessor's option in full force and effect.

33. Indemnity: Lessee covenants to indemnify and save harmless Lessor from and against any and all claims, liability, loss or damage, arising from any conduct, work or thing done under the terms of this Lease, to include injury or damage to any person or persons, including Lessor, or to the property of any person, or persons or corporations occurring on or within the Leased Premises which are the subject of this Lease, as the result of any activity of Lessee, its agents, employees, or any other person or entity under the direction of the Lessee, and for any protection, mitigation and enhancement measures or activities required by FERC or its successor agency in connection with the activities conducted by Lessee hereunder.

34. Limitation of Liability: Lessor and Lessee agree to warrant that any and all work performed within the Leased Premises will be performed with professional thoroughness and using acceptable standard business practices. Lessor's total cumulative liability to Lessee for claims of any kind whether based on contract, tort (including strict liability and negligence except for gross negligence or willful misconduct on part of Lessor), under any warranty or otherwise, for any loss or damage relating to this Lease, shall in no case exceed the cost of completing the work in accordance with acceptable business practice, and Lessee releases Lessor from all further liability in excess of this amount for any work performed under this Lease. Lessee further releases Lessor from any and all liability resulting from any injury of an employee of Lessee or anyone performing any service at the direction of the Lessee on the Leased Premises, excluding any acts of willful misconduct of the Lessor.

Neither party shall be liable, whether based on contract, tort (including negligence and strict liability), under any services or work performed relating to this Lease, for any consequential, indirect, special, or incidental loss or damage any damage (except to the extent damage resulted from willful misconduct) to or loss of any property or equipment.

This limitation of, or protection against liability shall also protect directors, officers, members, employees, agent consultants, suppliers, subcontractors, parents, subsidiaries, and affiliates of the Lessor and shall apply regardless of fault (excluding willful misconduct), gross negligence or strict liability of the respective party.

Lessee waives and will require its insurers to waive all rights to recovery and claims of any kind, including rights and claims to which its insurers or another may be subrogated, against Lessor arising out of damage to, loss of or loss of use of any Lessee's property, located on the Leased Premises, whether based on contract, tort (including strict liability and negligence except for gross negligence or willful misconduct on part of Lessor), under any warranty or otherwise. These waivers are effective as to all damages to or losses of use of property arising out of or relating to this Lease or deficiencies in the services provided hereunder and Lessee hereby covenants that no such action or claim shall be brought by or through Lessee on any theory whatsoever. In the event Lessee or its insurers recover damages from a third party for losses or damages to which the foregoing waivers apply, Lessee shall indemnify and hold Lessor harmless against any liability for any such losses or damages which said third party recovers from Lessee and any expenses (including attorney fees and other cost of investigation and defense) related hereto. **The limitation of liability in this provision shall apply notwithstanding any other provision of this Lease.**

35. **Flooding:** Lessor reserves the unlimited right to back or flood the waters of Lake Keowee and its tributaries from time to time and at any and all times over and upon the Leased Premises or any portion of the same, to such extent the flooding may be necessary in connection with the practical operation of its hydroelectric power plants located or to be located in the future upon the Lake Keowee. Lessor shall give Lessee as much notice as possible if flooding is necessary in order to give Lessee reasonable time to make proper arrangements and minimize loss. Lessee agrees that any damage it may suffer as a result of such flooding shall not be claimed or charged against Lessor. Lessee hereby waives all claims against Lessor for damages resulting from floods that may occur on the Seneca or Keowee Rivers or any tributary thereof.

36. **FERC Project Restoration:** Lessor shall be under no obligation to Lessee to maintain or continue to operate the Project and should said Project be damaged, destroyed or removed, the Lessor shall be under no obligation to restore or rebuild same, and Lessee hereby waives all claims against Lessor for damages to or destruction or removal of the Project.

37. **Parties Bound:** The covenants and conditions herein contained shall, subject to the provisions as to assignment transfer and sub-leasing, apply to and bind the heirs, successors, executors, administrators and assigns of all the parties hereto; provided, however, that neither this lease nor any provisions therein may be assigned by Lessee except with the prior written consent of the Lessor as provided in Paragraph 24.

38. **Survival:** Lessee's indemnity obligations under Paragraph 33 shall survive the termination or cancellation of this Lease and shall remain in effect.

39. **Recovery of Fees and Costs:** If any action is taken by Lessor to enforce any provision, covenant or agreement contained in this Lease or if Lessor is required to retain an attorney to enforce any provision, covenant or agreement

contained in this Lease (including, without limitation, the payment of rent due hereunder or the removal of any encroachment constructed on the Leased Premises in violation of the Lease), then Lessor shall be entitled to recover from Lessee all Lessor's reasonable attorneys' fees and court costs incurred in such action and/or enforcement.

40. Notices: Wherever in the Lease it shall be required or permitted that notice be given by either party to this Lease to the other, such notices must be in writing and must be given personally or forwarded by certified mail addressed as follows:

To Lessor: Duke Energy Carolinas, LLC
Lake Services, EC12Q
P.O. Box 1006
Charlotte, NC 28201-1006

To Lessee: Warpath Development, Inc.
P.O. Box 24234
Greenville, SC 29616

Such addresses may be changed from time to time by notice given hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed this the day and year first above written.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

LESSOR

Duke Energy Carolinas, LLC,

By:

Name: George W. Christian, Jr.

Witness

Witness

Pickens County / Warpath Development, Inc. Access Area

APB_00089

Title: Manager, Real Estate Acquisitions and Valuations

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, ROBERT J. EARLEY, a Notary Public for said State and LINCOLN County, certify that George W. Christian, Jr. personally came before me this day and acknowledged that he is Manager, Real Estate Acquisitions and Valuations of Duke Energy Carolinas, LLC, a North Carolina limited liability company, and that he, as Manager, Real Estate Acquisitions and Valuations, being authorized to do so, executed the foregoing on behalf of the limited liability company.

WITNESS my hand and official seal this 21st day of DECEMBER, 2006.

My Commission Expires: FEBRUARY 28,
2007

Robert J. Earley
Printed Name: ROBERT J. EARLEY
Notary Public

[NOTARIAL SEAL]

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

LESSEE

WARPATH DEVELOPMENT, INC.

By: Andrew P. Ballard
Name: Andrew P. Ballard
Title: President

Leann L. Cuvell
Witness

Nickiea Fleming
Witness

Pickens County / Warpath Development, Inc. Access Area

APB_00090

STATE OF South Carolina
COUNTY OF Greenville

ACKNOWLEDGMENT

This instrument was acknowledged before me this 3 day of January, 2006, by
Andrew P. Ballard (name of officer), as President
(title of officer) of Warpath Development, Inc., a South Carolina corporation, on behalf of the corporation.

WITNESS my hand and official seal this 3 day of January, 2006.

My Commission Expires: _____

My Commission Expires March 22, 2012

Stephanie Cohens
Printed Name: Stephanie Cohens
Notary Public

[NOTARIAL SEAL]

12/18/2006

1. At its own expense, and without limiting its indemnity obligations under the Agreement, Lessee shall secure and maintain during the term of the Agreement the insurance coverages listed in Item #4, in accordance with this Agreement in forms and with insurance companies qualified to do business in all states where work will be performed. Required insurance (as described herein) shall be provided by companies that have a minimum A.M. Best Rating of A- VII.
2. All insurance shall have or be subject to the following terms and conditions:
 - a. Lessee shall deliver to Lessor certificates of insurance prior to work beginning. Certificates of each renewal of the insurance shall be delivered promptly after renewal. Acceptance of a certificate that does not comply with this Agreement shall not operate as a waiver of any of this Agreement's obligations.
 - b. The policies shall each contain a provision that coverages will not be cancelled, not renewed or materially modified unless at least thirty (30) days' prior written notice has been given but, in any event, if Lessee is aware of any such cancellation, reduction in coverage or non-renewal, Lessee shall provide written notice to Lessor of such action within five (5) business days of receipt of notice of any such action from its carrier.
 - c. Lessee shall name Lessor as an additional insured, using Insurance Services Office, Inc. (ISO) additional insured (CG 20 10) or equivalent, under all required policies of liability insurance. (except Worker's Compensation Insurance). All policies shall include waivers of any right of subrogation of the insurers using standard ISO forms.
 - d. All policies of insurance required hereunder shall be endorsed or shall otherwise provide that Lessee's insurance shall be primary with respect to their own acts or omissions and not be in excess of, or contributing with, any insurance maintained by Lessor.
 - e. Umbrella Insurance may be used to satisfy the limit requirements for Employer's Liability Insurance, Commercial General Liability Insurance, and Comprehensive Automobile Liability Insurance set out in Item #4 below. Such umbrella policy shall follow the form of those primary coverages, be in excess of those underlying policies without gaps in limits and provide coverage as broad as the underlying.
3. Lessee will be responsible for their own respective deductibles, self-insured retentions, and self-insurance under its insurance program. Should Lessee fail to provide or maintain any insurance required hereunder, Lessor may then obtain general liability insurance against any and all claims for injuries to persons or damage to property occurring on the Leased Premises, during the balance of the term of this Lease, in the amounts hereafter provided, whereupon Lessee shall reimburse Lessor annually within forty-five (45) days following Lessor's presentation to Lessee of copy of the invoice showing Lessor's premium for the current year.

Warpath Development, Inc.
ATTACHMENT A

4.	Coverage Type	Minimum Coverage Limits
a)	Workers' Compensation <i>Any Lessee who does not carry Workers' Compensation coverage must give Lessor a letter stating that they are exempt from the law and will hold Lessor harmless from all injury except those injuries resulting from Lessor's gross negligence.</i> Employers Liability	Must meet statutory requirements of each state in which the Services are to be performed and any other state in which Lessee operates. Each accident for bodily injury \$1,000,000 Policy limit for bodily injury by disease \$1,000,000 Each employee by disease \$1,000,000
b)	Commercial General & Excess Liability Insurance having standard coverages offered under an ISO form CG-00-01 (10/01) or equivalent. If ISO CG-00-01 (10/01) or equivalent is not used, the policy must include the following coverages: ▪ Premises – Operations; ▪ Products Liability/Completed Operations; ▪ Broad Form Property Damage; ▪ Contractual Liability (Broad Form) Including 3rd party coverage; ▪ Explosion, Collapse and Underground; ▪ Hazard and Personal Injury, with Employee Exclusion and Contractual Exclusion deleted.	\$2,000,000 per occurrence
c)	If vehicles will be used: Business Automobile & Excess Liability Insurance on ISO form (CA 00 01) or equivalent. Must include coverage for: ☐ Owned motor vehicles; ☐ Hired motor vehicles; and ☐ Other non-owned vehicles	Combined single limit of liability of \$1,000,000 per occurrence
d)	If Lessee will serve or sell alcohol at the Project property, Lessee will provide liquor liability coverage.	\$1,000,000 per occurrence

APB_00093

Warpath Development, Inc.
ATTACHMENT A

5. Upon Lessee contracting with an entity for the purpose of constructing any facilities on the Leased Premises, Lessor shall be named as an additional insured on all insurance policies (except Workers Compensation) covering the scope of such activity prior to the commencement of any activity by Lessee, its agents or contractors and shall include a waiver of any rights of subrogation of the insurers against Lessor. Any contractor or subcontractor performing work on property that is the subject of this Lease shall have in place prior to commencement of any activity and during the performance of any activity, the types of insurance and minimum coverage limits listed in Item #6 below.

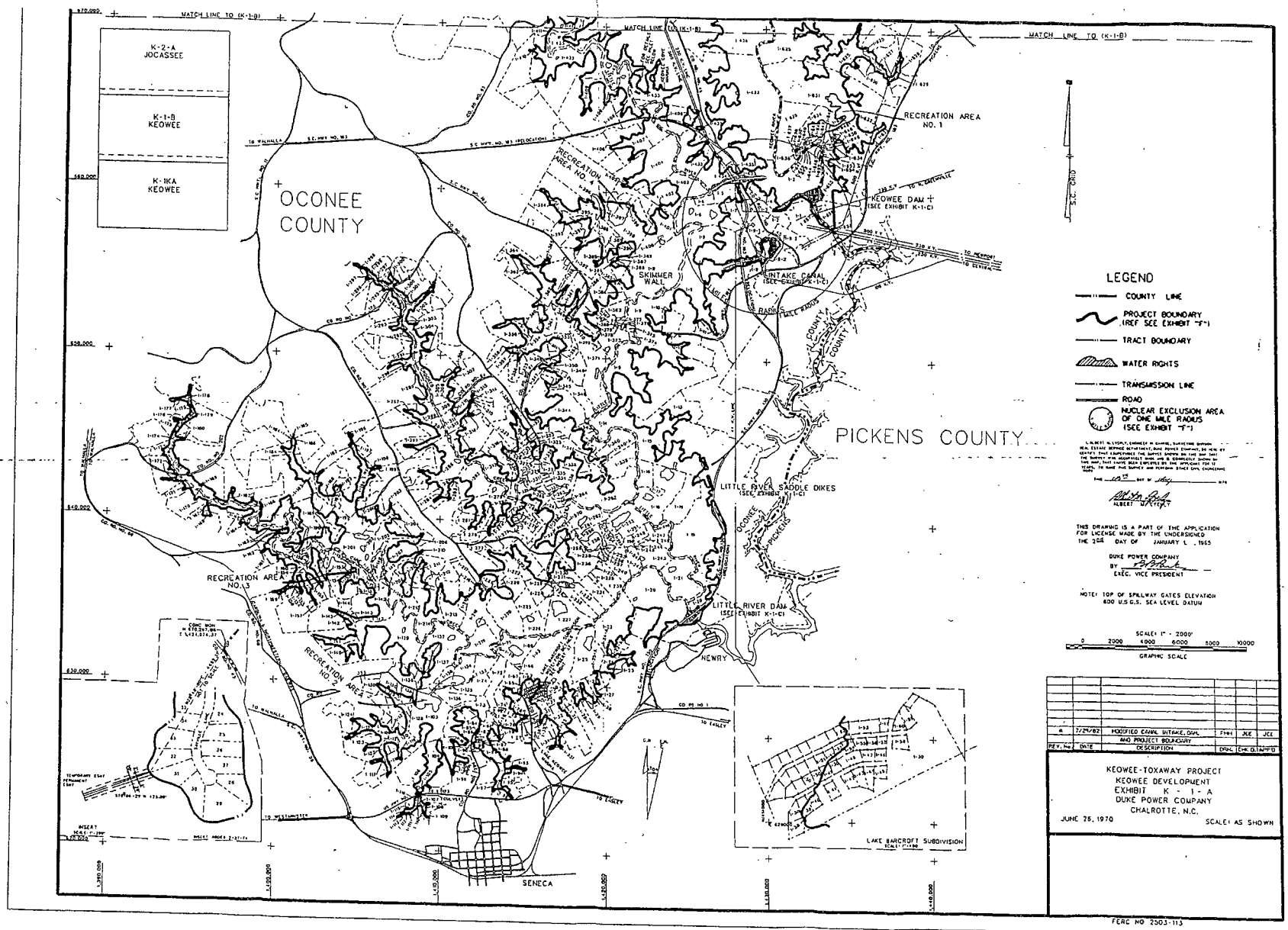
6.	Coverage Type	Minimum Coverage Limits
a)	Workers' Compensation <i>Any Lessee who does not carry Workers' Compensation coverage must give Lessor a letter stating that they are exempt from the law and will hold Lessor harmless from all injury except those injuries resulting from Lessor's gross negligence.</i> Employers Liability	Must meet statutory requirements of each state in which the Services are to be performed and any other state in which Lessee operates. Each accident for bodily injury \$ 500,000 Policy limit for bodily injury by disease \$ 500,000 Each employee by disease \$ 500,000
b)	Commercial General & Excess Liability Insurance having standard coverages offered under an ISO form CG-00-01 (10/01) or equivalent. If ISO CG-00-01 (10/01) or equivalent is not used, the policy must include the following coverages: ▪ Premises – Operations; ▪ Products Liability/Completed Operations; ▪ Broad Form Property Damage; ▪ Contractual Liability (Broad Form) Including 3rd party coverage; ▪ Explosion, Collapse and Underground; ▪ Hazard and Personal Injury, with Employee Exclusion and Contractual Exclusion deleted.	\$2,000,000 per occurrence
c)	If vehicles will be used: Business Automobile & Excess Liability Insurance on ISO form (CA 00 01) or equivalent. Must include coverage for: ☐ Owned motor vehicles; ☐ Hired motor vehicles; and ☐ Other non-owned vehicles	Combined single limit of liability of \$1,000,000 per occurrence
d)	Contractor's Pollution Liability Coverage	\$1,000,000 per occurrence

APB_00094

EXHIBIT A

Property Map

APB_00095



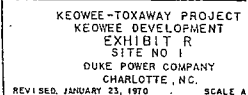


EXHIBIT B

CONCEPTUAL PLAN FOR WARPATH LANDING

APB_00098

Conceptual Plan
for

Warpath Landing

Public Access Area
for

Lake Keowee

Prepared by

The Ellis Group P.A.
220 N. Main St. Suite 325
Greenville, SC 29601
864.235.7464

APB_00099

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Introduction:

The proposed development is a preliminary plan for a 56 acre tract of property on the eastern shore of Lake Keowee in Pickens County, South Carolina.

The main objective of this proposal is to create an environment for many types of outdoor recreation that are related to the natural surroundings of beautiful Lake Keowee. This development would provide recreation opportunities for the general public, enhancing the quality of life for Pickens County residents as well as visitors. At present, such a facility is not available. This development would, therefore, create new tourism opportunities and consequently economic good for the area as well.

In reviewing this proposal it is important to understand that this is a preliminary study of the possibilities of the site. All consideration for proper permitting as required by all applicable agencies will be made throughout the process of the entire project. Naturally, the structures and amenities proposed would be subject to all local, state and Federal regulations.

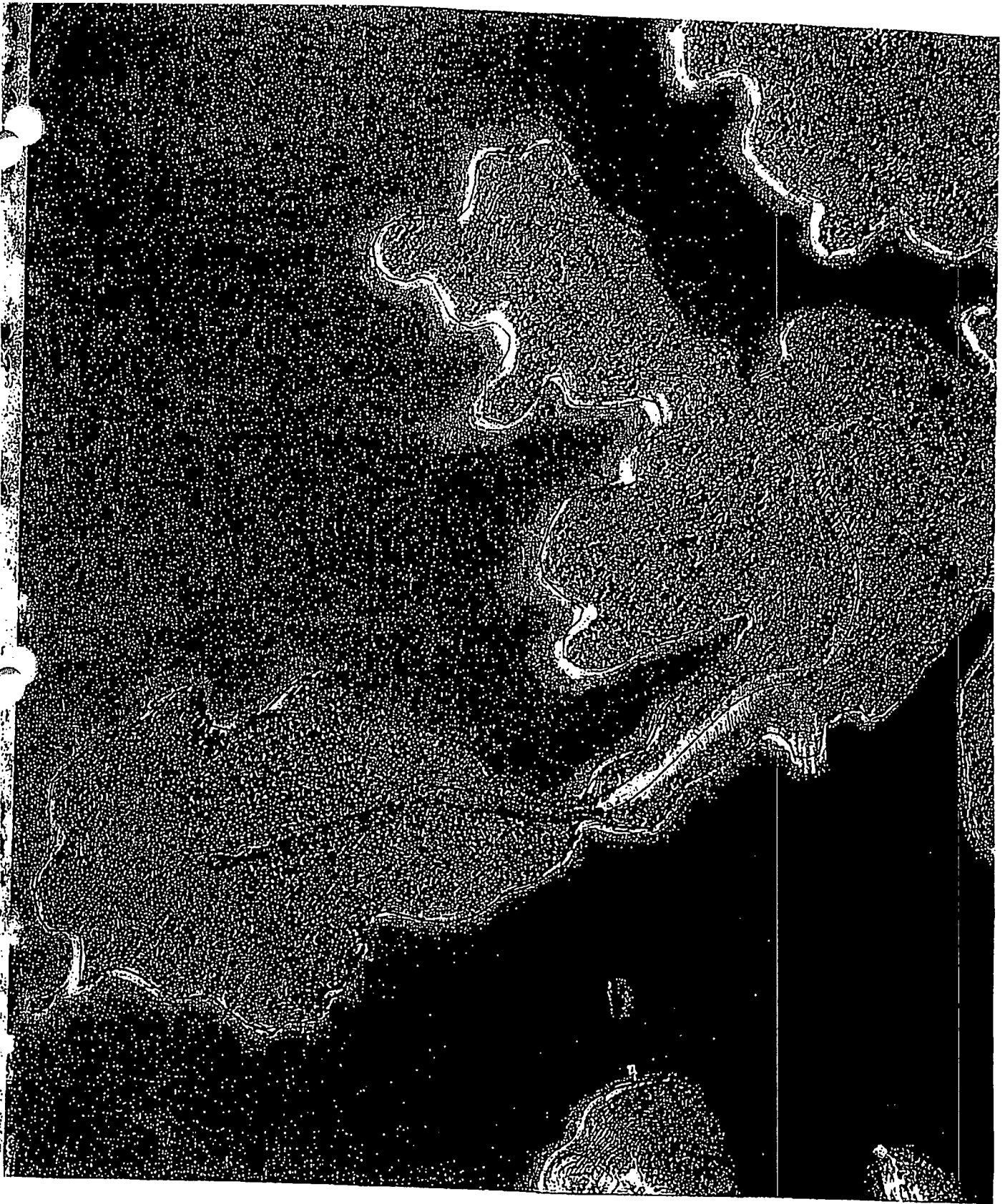
The Site

The pristine site of Warpath Landing features lovely views to the North, West, and South. The northern views are particularly exciting, with a spectacular view of the Blue Ridge Mountains. A primary design goal is to capture these views throughout the development. Additionally, it is the plan of the developer to respect the natural ecological environment of Lake Keowee in every way possible and to actually enhance the natural beauty of the site.

The site is heavily wooded, containing trees of many varieties. The terrain is fairly steep, varying in places to a more shallow grade. Another design goal is to utilize the contours of the site for recreation purposes to the fullest potential and thus offering several venues for recreation of varying nature.

Another design goal is to respect the history of this particular site. It is a unique history involving the Cherokee Indians, early American settlers as well as the British. In developing the future direction for the site, this proposal calls for consideration to retain a memory of the past history of this area.

The following program considers these possibilities as well as the many practical considerations to create a place fully reflecting a flavor and character of Pickens County and this particular site. This project has the potential to enhance the quality of life for many people for generations to come.



Aerial Photograph

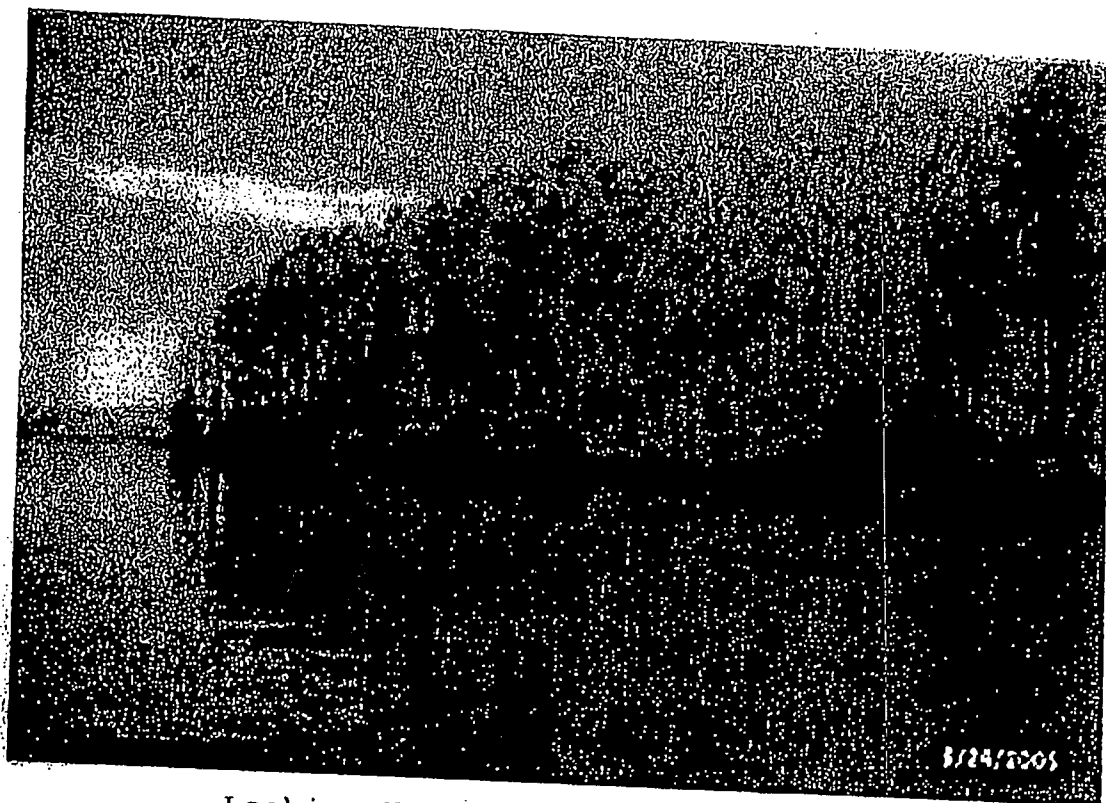
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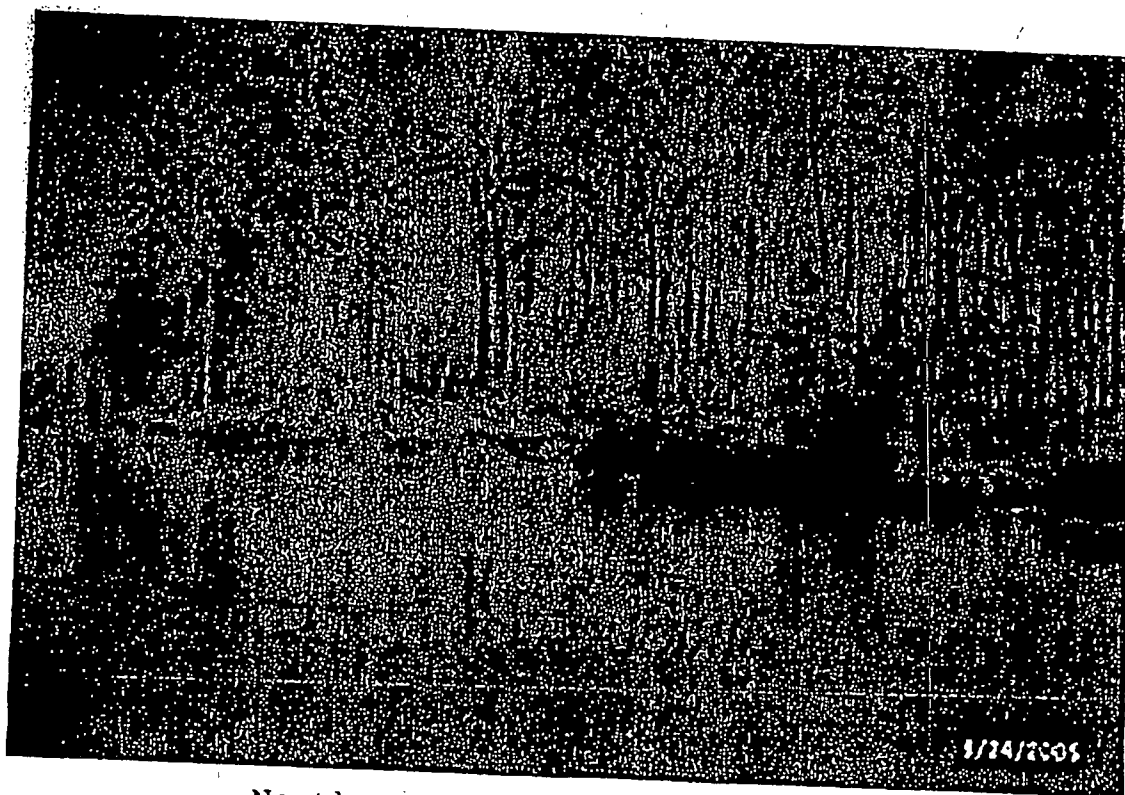


Contour Map

APB_00104

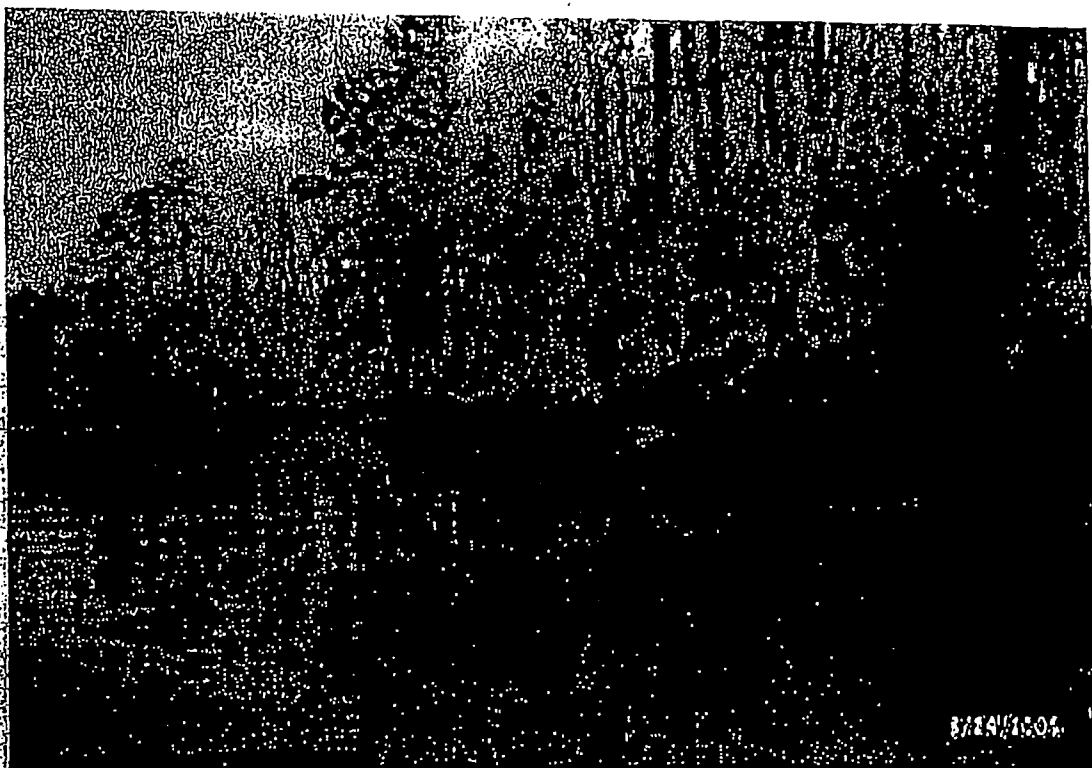


Looking North up Lake Keowee with
mountains in the background

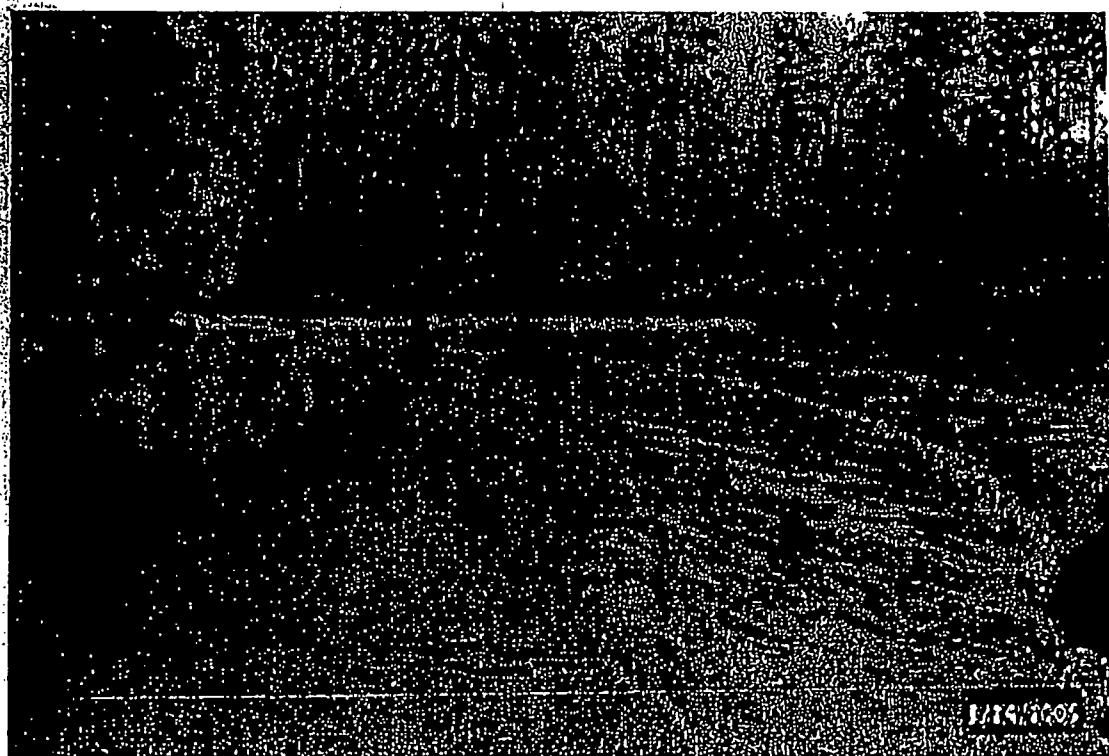


North towards camping peninsula

APB_00105

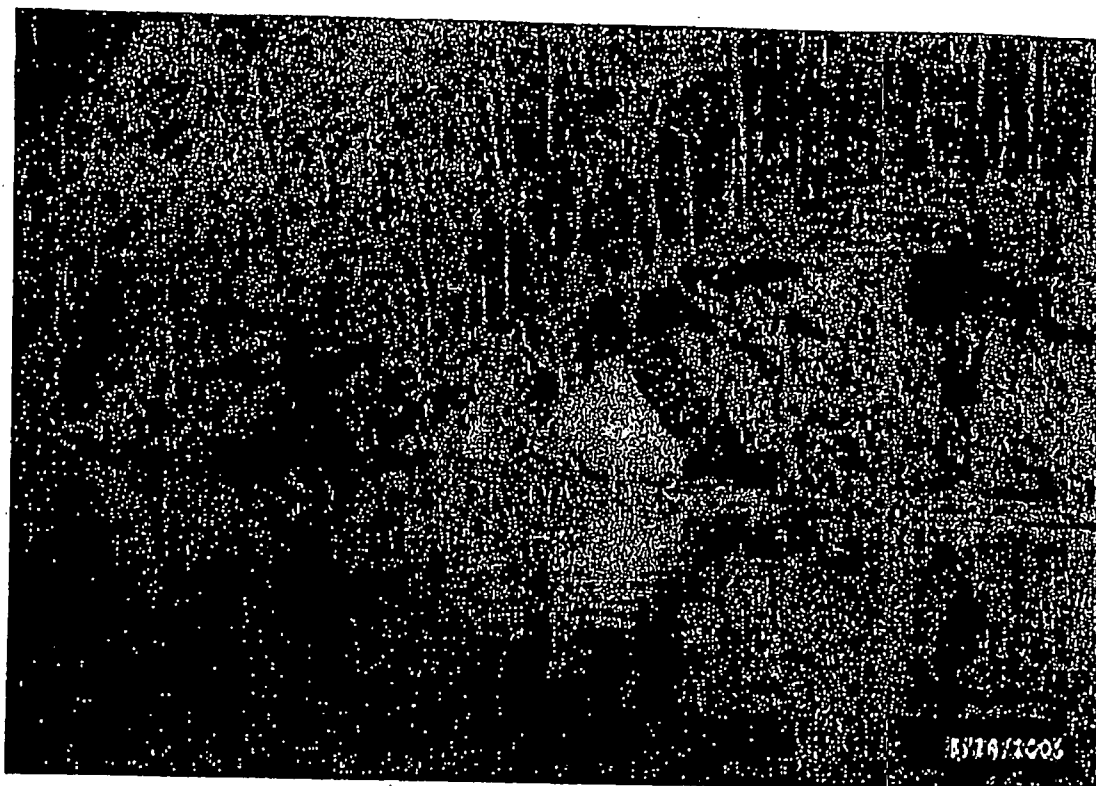


North by Marina Point
towards camping area

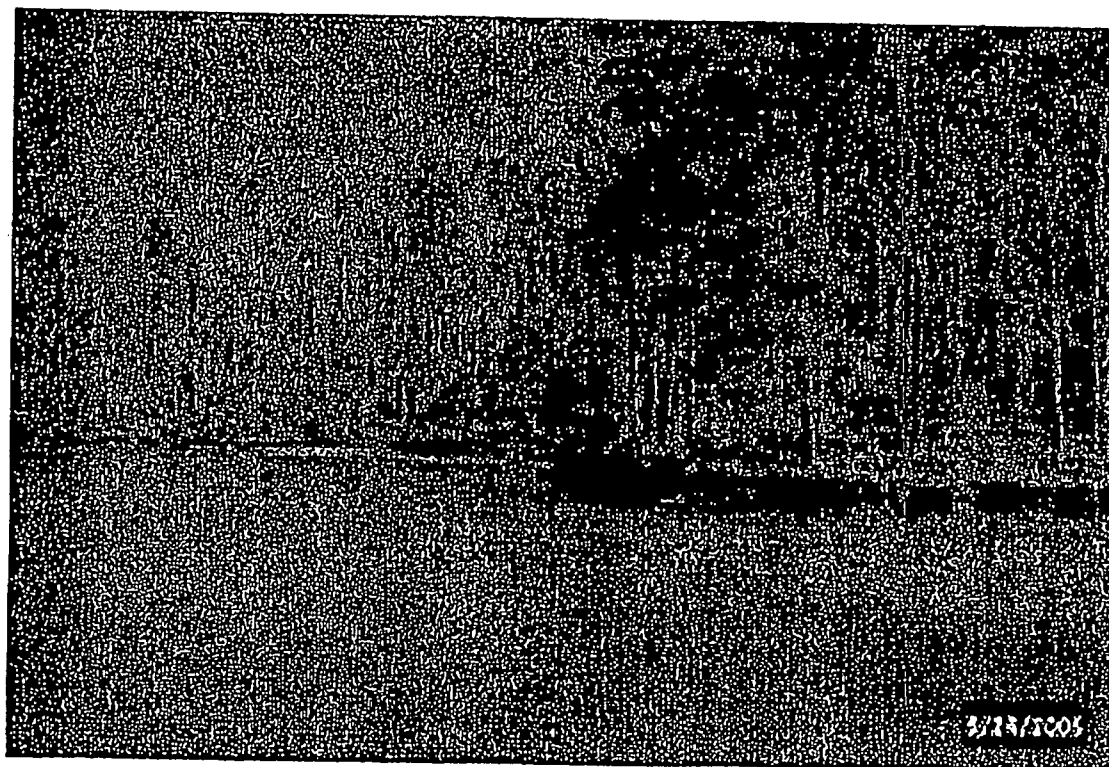


East towards swimming area

APB_00106



North towards Lodge area



North towards camping area

APB_00107

Historic Context:

A brief look at some features of this land and its first inhabitants brings some relevant information to the project. The Cherokee Indians lived along the river and bottom land which later became Lake Keowee. They thrived in the bottom lands from Virginia southward. They built their houses in villages, much like Early American settlers did. Villages were separated by day-long walks, houses were made of wood and stone, fields were planted, nuts and berries were gathered, game was cured, tobacco was smoked and the Cherokee people adhered to high ethical standards. "Fire", the center of life, became the Cherokee word for "home."

Rivers between the Cherokee mountains, fed by creeks running from all directions, flowed north and west into the Great River, the Cherokees' lifeline to other Indian cultures. A network of roads followed those rivers and streams to connect the Cherokee villages. Steep mountain gaps limited routing choices so Cherokee roads converged at certain gaps, just as roads do today in those mountains. Village chieftains lead and represented the people to the tribe as a whole. The people used the roads to trade and compete with other villages.

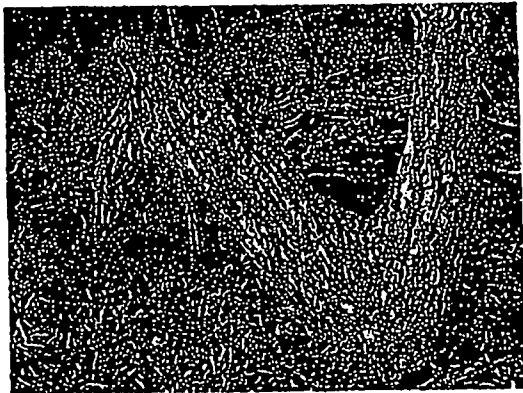
The installation of Prince George Fort and the arrival of the British had a great impact on the history of the area. Several Colonial, British, and Cherokee played a significant part in the history of the area. The following timeline gives a brief account of this history.

Indian Trail Trees, which are also known as bent trees, were once very prevalent in this area. The Indians native to this area, most often the Cherokee, are assumed to have used them to mark directions or trails to areas important to them. They took young saplings, bent them at a right angle perpendicular to the ground and pointing in the desired direction. They then tied them in this position. As the tree grew, the top portion would turn up toward the light but the segment that had been tied down would always point in a specific direction.

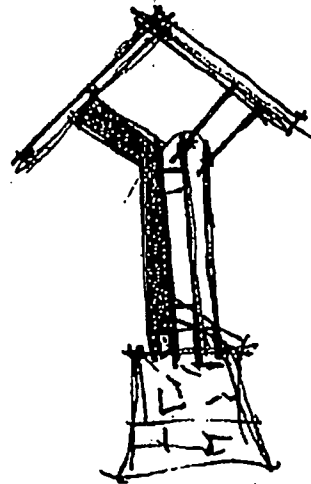
The trees were used to indicate different things. They might show a trail to a river or settlement. Some were used to indicate where natural springs were located. Sometimes they were used as message trees and were either

marked to indicate a message or had a hollowed out section where messages could be hidden.

This proposal calls for using the theme of "Indian Trail Trees" to mark areas along the nature/bike trail. Additionally, this idea is used as a recurring theme throughout the architecture of the development, articulating a unique form incorporated into the post and beam construction of the building form. Also, many of the names of places within the development have names influenced by this history.



Indian Trail Tree



Historic Timeline:

1540 - Cherokee have contact with De Soto expedition

1670 - The South Carolina Colony established

1670' s - Tribes acquire firearms

1684 - Treaty with South Carolina and Cherokee

1690 - Secretary of Colony, James Moore, ventures into Cherokee country looking for gold

1693 - Cherokee Chiefs visit Charleston demanding firearms for their wars against neighboring tribes.

1705 - North Carolina complains that the South Carolina governor' s trade of Native American slaves had so angered the tribes that the Indian War was inevitable.

1711 - 1713 - Cherokee aid the colony in driving out mutual enemy, the Tuscarora.

1715 - Combined tribes in the region threatened to wipe out South Carolina in a war that broke out. Peace was made with a large exchange of guns and ammunition for alliance with the colony.

1715 - Cherokee drive Shawnee northward out of the Cumberland River Region.
1721 - Cherokee sign treaty with South Carolina to systematize trade. One condition of the treaty established a fixed boundary between the Cherokee and the colony. This was the first land cession made by the Cherokee to the Europeans.

1730 - Seven Cherokee make the trip to London to meet with King George II. Atta Kulla Kulla was one of them.

1738 - Small pox was introduced to the Cherokee killing nearly half the tribe within a year.

1749 - South Carolina Independent Companies is formed replacing the disbanded General Oglethorpe's Regiment

1753 - 1768 - Fort Prince George was named for the Prince of Wales (later King George III) and served as the principal Carolina outpost in the Cherokee lower towns.

1754 - Treaty reaffirming the Cherokee alliance to the English is signed.

1755 - 1763 - French and Indian War. Cherokee would have sided with the French except for the dependence on trade with the English.

1757 - South Carolina Provincial Regiment is formed.

1759 - Thirty-two Cherokee spokesmen are held hostage at Fort Prince George. Chief Attakullakulla negotiates the release of Oconostota and two others. The remaining twenty-nine chiefs remained captives.

1760 - Cherokee lure Lieutenant Coymore outside the walls of Fort Prince George and mortally wound him. The same day the remaining chiefs who are being held hostage are killed. Cherokee start a fight with South Carolina and push frontier line back 100 miles to the Edisto River.

1761 - Attakullakulla signs a treaty with South Carolinas colonial government.

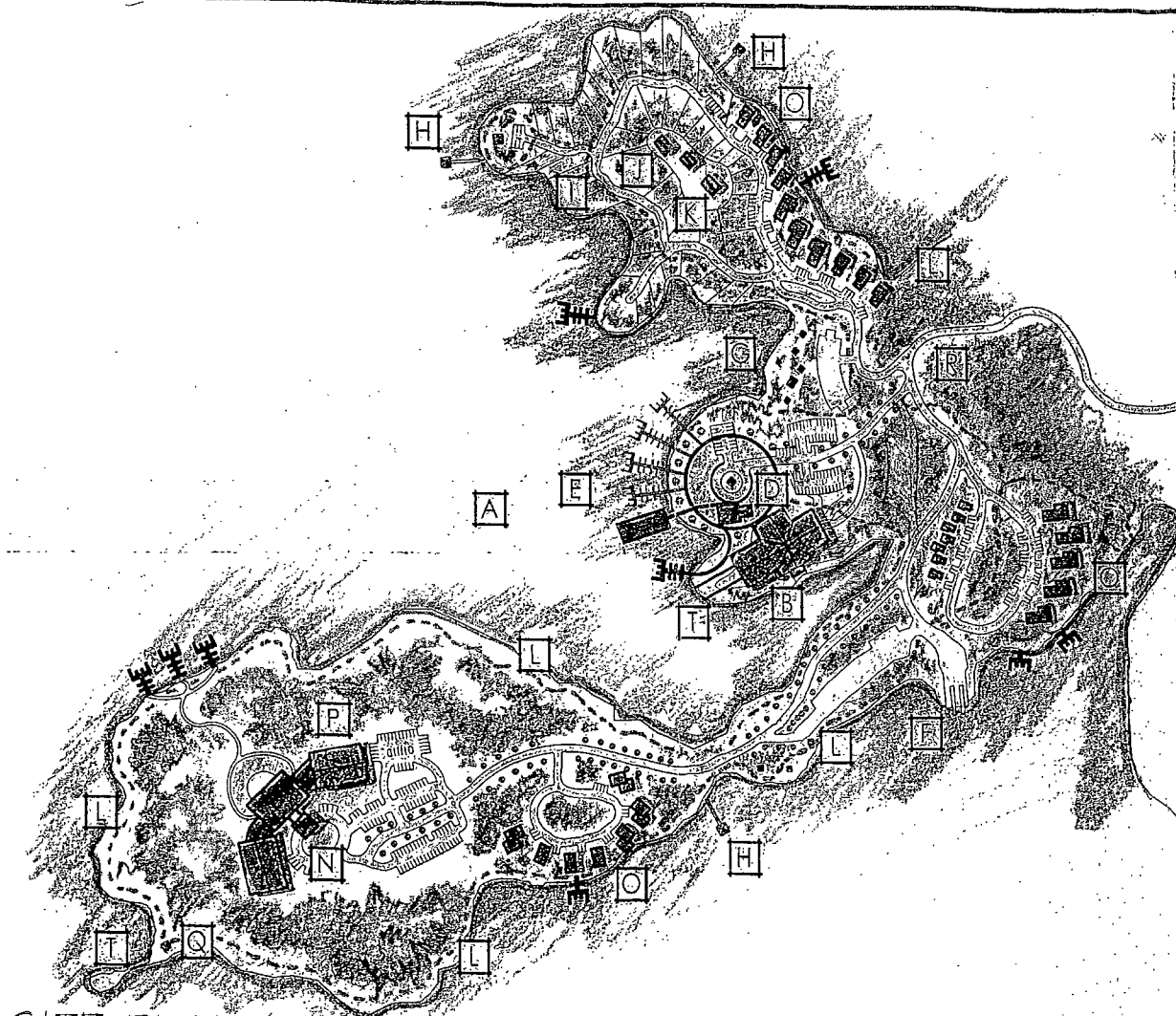
1775 - Cherokee sign the Henderson Purchase which ceded land north of Cumberland River and what is now Kentucky.

1776 - British invade Charleston and Cherokee once again attack colony.

1777 - Cherokee sign Treaty of DeWitt's Corner, which ceded nearly all of South Carolina except the northwestern corner, which is now Oconee County.

1790 - 16,000 people move into Greenville, Pickens, Oconee, and Anderson Counties. Cherokee and Creek make raids on South Carolina and Georgia. South Carolina establishes block houses along its northwest boundary for protection.

1816 - Cherokee sell the last of their South Carolina land to the colony.



SITE PLAN (MASTER PLAN)
1" = 300'-0"

Letters correspond to items on pages 12-18

Elements of Proposal:

- Please note the following features of the proposal are labeled on the site plan accordingly. Please review site plan to determine location of each feature.

Each element of this proposal will be planned with ADA accessibility features as an integral part of the design in all places where it is reasonably achievable.

o Water related features

A. Marina

The marina will be located conveniently for public use and will provide a "courtesy dock" for short term "parking" as well as fueling. Though this proposal is preliminary, at the appropriate time a Spill Prevention Control & Countermeasure Plan will be provided.

Another service available to the public at the marina will be a marine sewage pump out service to the public at nominal charge.

Adjacent to the marina will be a shop for maintenance and repair of boats. Design considerations will be made for the possibilities of boats arriving both by water and by land.

B. Dry dock boat storage

The dry dock boat storage facility will store boats under cover year round and will be designed for 100-200 boats. Storage for boat trailers will not be a part of this facility.

Boats will be handled by forklift to be placed on storage racks and also lower into the water as needed. A boat owner could call the facility and upon arrival to Warpath

Landing, his boat would be waiting for him. Boat storage would be available on a fee basis.

C. Marina convenience store

The marina convenience store will provide the essentials people may need while boating, camping, fishing, swimming or sunning. The store would be located near the active hub area of the marina to be convenient for both boaters as well as others. Ample parking will be provided close by. Restroom facilities will also be provided. Nearby fueling and courtesy docks (approx. 20 slips) will serve as an access to the facility by boat as well as provide a needed fueling station for Lake Keowee.

D. Deli/Grill

The deli/ grill will be a place to grab a quick sandwich. Sandwiches will be available for eat in or for takeout. An outdoor eating area and restrooms will be included in this facility. The size and type of facility may be something on the order of a "Schlotsky's."

E. Boat slips

The boat slip area will include covered and uncovered slips. The number of slips and the particular arrangement will develop with the phases of the project. There will eventually be 2 walkways with slips on each side to be developed as the demand indicates but not to exceed space for 100-200 boats.

F. Public boat launch and parking

A public boat launching area, which will utilize elements of the existing boat ramp, will provide a place for day users, campers or anyone to launch their boat. The existing facility will be utilized and improved. Restroom facilities and picnicking areas with small picnic shelters will be nearby. Ample parking for vehicles and boat trailers will be provided.

G. Public swimming area

A public swimming area will be available for anyone to spend the day and enjoy the lakeshore. This would be similar to the swimming area at Devil's Fork State Park and would feature restroom facilities and picnic areas. There will not be a lifeguard on duty. Parking would be available in the nearby paved parking area which is currently designed with consideration for 70 vehicles. Secondary overflow parking would be developed as needed. This secondary parking area would simply be a grass area to be utilized only for the occasional event or holiday situation. If this proved to be something utilized on a regular basis, this area could be paved as well. It is the intent to keep the development as natural and sustainable as is reasonably achievable.

H. Public fishing pier

There would be provisions in the development for 2-3 fishing piers. These would allow the possibility for fishing from a pier in both covered and uncovered spaces. Nearby parking for 4-6 cars per pier would be provided.

To encourage the healthy maintenance of fish populations, various techniques will be employed. Manmade fish habitats will be installed under the fishing piers. Natural vegetation along the shoreline will be preserved, protected and replenished. Proper erosion control methods will serve to protect the natural habitat of plant and wildlife.

□ Outdoor recreation

I. R/V Sites and Campground

To accommodate overnight camping, facilities for various types of camping will be provided. Plans call for campsites for 15-25 larger "R.V." type-sites as well as 20-40 tent campsites.

The campground area will include a bathhouse as well as dump station. The design of the site allows campers to be part of the entire resort through the use of the swimming area, nature trail, secondary recreation areas, fishing piers as well as a close connection to cabin areas. Adequate parking for each campsite will be developed as the design matures.

One opportunity the site offers is the possibility of group camping on the two south facing peninsulas.

J. Picnic areas

Picnic areas of varying types will be planned for at strategic areas throughout the development. Some of these will be uncovered some will be covered. These shelters will be available for day users as well as vacationers.

K. Larger picnic shelter

The large picnic shelter will be adjacent to the RV/Camping area. This structure will be approximately 30' x40' with a large open hearth stone fireplace on one end. The rustic facility would be suitable for campground functions such as a square dance, sing-a-long or a casual worship service. This facility could be used for many different functions such as a boat club barbeque, family reunion potluck dinner or church picnic. The nearby bathhouse will serve as restroom facilities. Nearby parking for the swimming area could be utilized for occasional events. (See picnicking areas noted throughout project).

L. Bike path/ nature trail

A 2.25 mile bike path /nature trail will be woven around most of the perimeter of the development. The concept for the trail is to incorporate the theme of the Indian Trail Tree to designate historical "points of interest" at strategic points. The trail will offer exercise possibilities such as running, jogging, biking for all

types of users. The trail will allow a point of contact between people from different user groups. For example, a conference attendee may enter into an interesting conversation with a camper on an early morning walk.

M. Secondary recreation uses

As details of the project develop, locations for secondary recreation opportunities will be determined. The goals are to offer assorted options to allow for taste and level of activity desired. The following recreational opportunities will be available in strategic locations:

- Croquet
- Horseshoe pits
- Rock climbing
- Playground
- Campfire pit

o Lodging/ Dining

N. Lodge

A lodge with 60 to 120 rooms will be designed to capture the views and natural beauty of the lake. Groups as well as individuals will use this facility. The character of the facility will be similar to a Bed and Breakfast Inn rather than a chain hotel. Nearby docking facilities for 30-40 boats will allow lake residents to arrive by boat to dine at the restaurant on site.

O. Cabins

Cabin facilities will be simple mountain type cabins. They will vary in size to accommodate different needs. A single person or couple would rent a small size cabin. A small family may like a medium sized cabin. And, a group may rent the Family/ Group sized cabin. This size could be used for many situations - an office retreat, a family gathering or club meeting.

Approximate sizes

Small size - 500-750 sq. ft. (1-2 bedroom) with screen porch

Medium sized - 1,000-1300 sq. ft. (2-3 bedroom) w/ screen porch

Family/ group - 1600-2000 sq. ft. (3-4 bedroom) w/ screen porch

The small and medium sized rental cabins will have a minimum of two parking spaces for each cabin. Each cabin will have at least one parking space for boat trailers. Additionally, auxiliary parking will be provided near each cabin cluster.

The family/ group cabins will each have 3 to 4 parking spaces as well as 1 boat trailer parking space. There will also be auxiliary parking for each cabin cluster.

All cabins will have at least 1 boat dock to be located nearby. (See locations on site plan).

This preliminary proposal calls for 10 of the small to medium sized cabins adjacent to the RV/ Campground area. The other cabin area will feature 7 small size cabins and 5 of the larger group type cabin. These will be developed as part of the phasing explained in a following segment of this conceptual plan. An additional cabin area would include 7 med sized cabins to be used for conference facilities in conjunction w/ the lodge.

P. Restaurant

The restaurant will provide casual individual dining as well as banquet facilities for 100 to 250 people. This will be designed in such a way as to complement the lodge functionally and architecturally. This facility could be used for a multitude of functions, including receptions, banquets and any number of gatherings. Parking for this facility as well as the lodge will be developed in a terraced layout that works with the natural contours of the site and minimizes the visual and ecological impact

of large asphalt paving areas. Specific square footage and parking requirements will be determined as the design is developed.

Docking for 16 to 24 boats will be provided as the Lodge/ Restaurant area is developed. These docks will allow restaurant patrons to arrive by boat from various lake communities in the surrounding area.

Parking for the restaurant and lodge will be designed to minimize visual and ecological impact. The lodge will require 70-130 parking spaces. The restaurant will require 25-62 spaces.

□ Miscellaneous

Q. Shaman Point

This rustic structure will be a focal point for the project as an historical element as well as a functional sculpture. The space created could be used for small weddings or casual gatherings. Access to this special point may be a simple footpath. The journey of approaching the point would be part of the experience of arriving at a destination.

R. Main Entrance Gate

The main entrance gate will function architecturally as the "greeting" to the development. This will be a security control point and also a place in which guests can be directed to their desired area of the development. If a minimal day use fee were required to offset maintenance costs, this would be the place of collection.

S. Sewage treatment facility

Preliminary civil engineering studies have yielded a conceptual plan that carefully considers site constraints, preservation of natural resources including trees, and state of art technology to yield efficient sewage treatment. (See engineering report following.)

T. Shoreline Management

Care will be taken throughout the project to preserve and protect the natural vegetative habitat of the site. Along the lakefront, particularly, precautions will be made to stabilize the natural shoreline.

This proposal features the installation of bulkheads as needed for structural support for docking and fueling uses. These bulkheads would be appropriately designed. And, measures to preserve and foster the development of fish habitat will be observed where feasible.

In places where disruption of the natural habitat is inevitable, efforts will be made to relocate plant material to suitable areas. In every area where it is feasible, the intent is to maintain 50' undisturbed natural vegetation along the entire shoreline. And, elsewhere on the site, effort will be made to retain as much undisturbed natural vegetation as possible.

U. Road Improvements

Road and infrastructure improvements will be provided by phases as needed to facilitate the construction and use of each stage of the project. (See phasing below.)

Note: At this time, it has not been determined whether it will be required to assess a fee for day users of the proposed facilities. Should a fee be required, it will be a nominal fee to offset costs of maintenance of restroom facilities, maintenance of beach area, and trash and waste service.

Phases of Project:

Note: Phases I and II are planned to be developed concurrently.

Phase I

- Dry Boat Storage
100-200 boats
- Fuel Dock / Courtesy Dock
20 boats
- Marina Grille and Store
- Boat Slips
100-200 boats
- Shoreline Management / Bulkhead
- Roads and Parking
- Utilities Infrastructure
- Main Entrance Gatehouse
- Perimeter Nature Trail

This initial phase will include developing approximately 5 acres. Preliminary estimate for this initial phase is approximately \$4,000,000 and will take 12- 18 months to complete construction.

E. Boat Slips

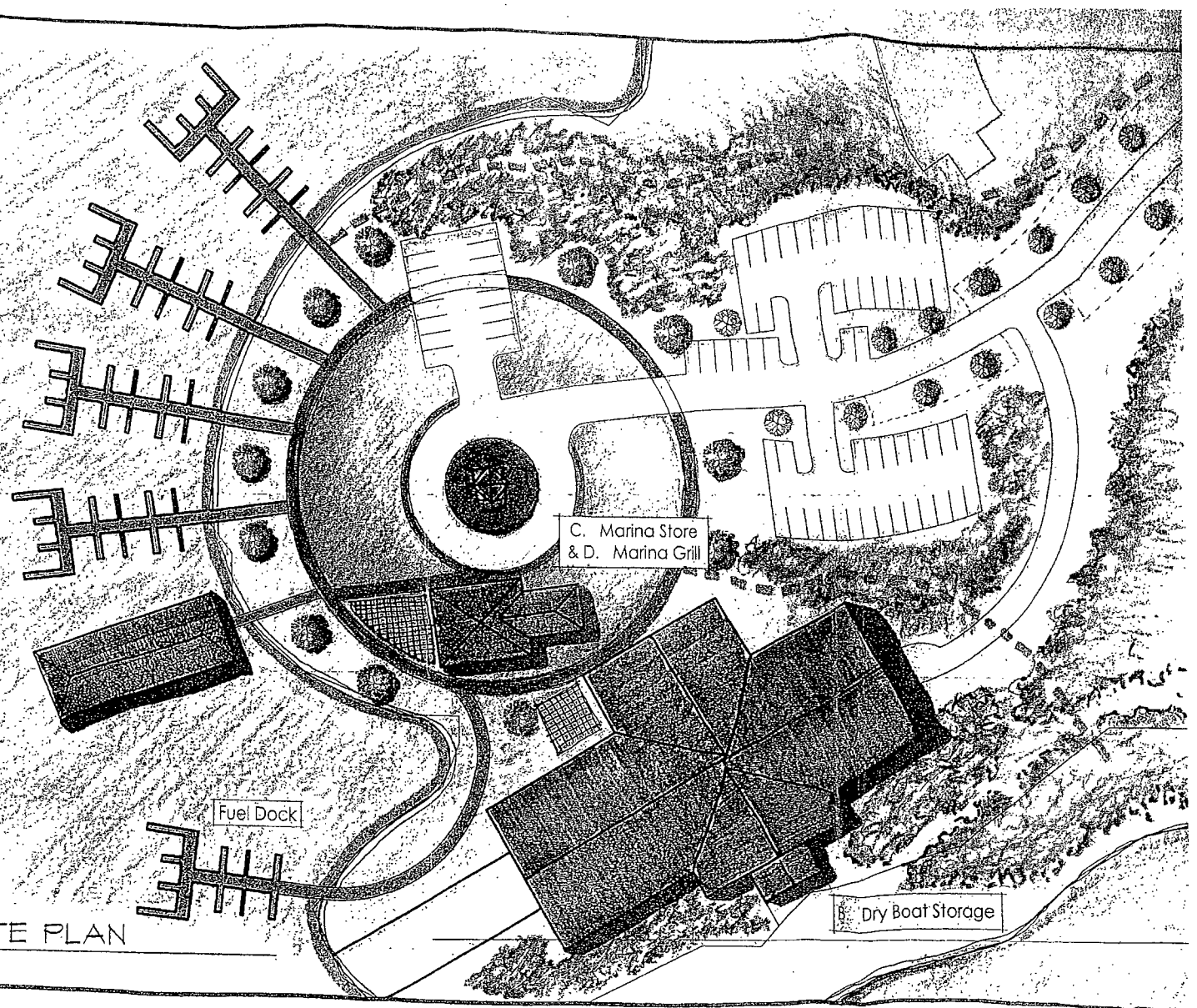
C. Marina Store
& D. Marina Grill

Fuel Dock

B. Dry Boat Storage

PHASE I SITE PLAN

1" = 60'-0"



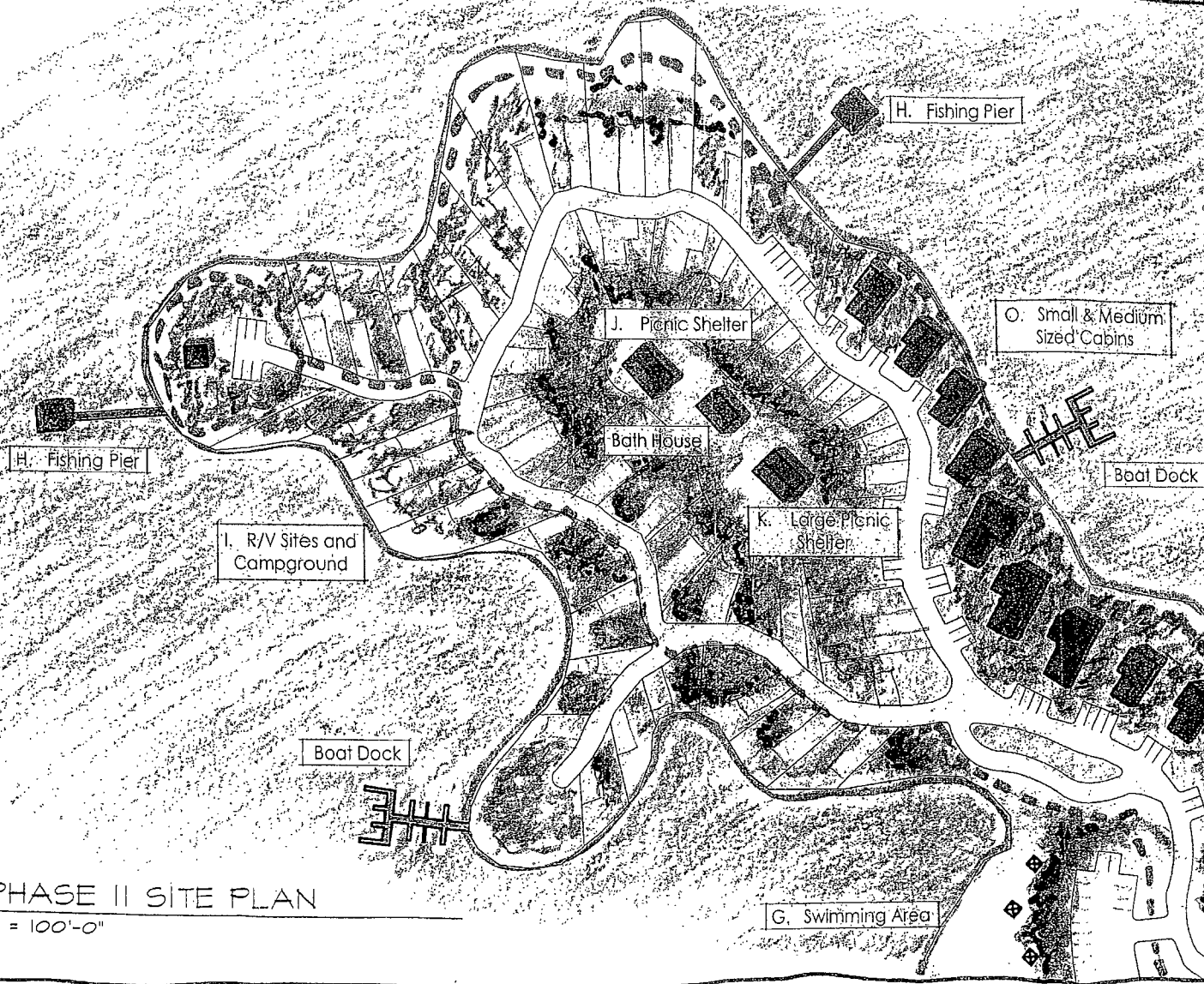
Phase II

Note: Phases I and II are planned to be developed concurrently.

- Recreational Vehicle sites
15-25 RVs
- Tent sites
20-40 campsites
- Bath House
- Picnic Shelters
- Courtesy Boat Docks
15-20 boats
- Swimming Area
- Overflow Parking
- Cabins
- Fishing Piers
- Infrastructure

This second phase calls for the development of 11 acres. The approximate cost of this phase will be \$1,000,000. This phase will require 6 - 12 months to complete.

PHASE II SITE PLAN
1" = 100'-0"

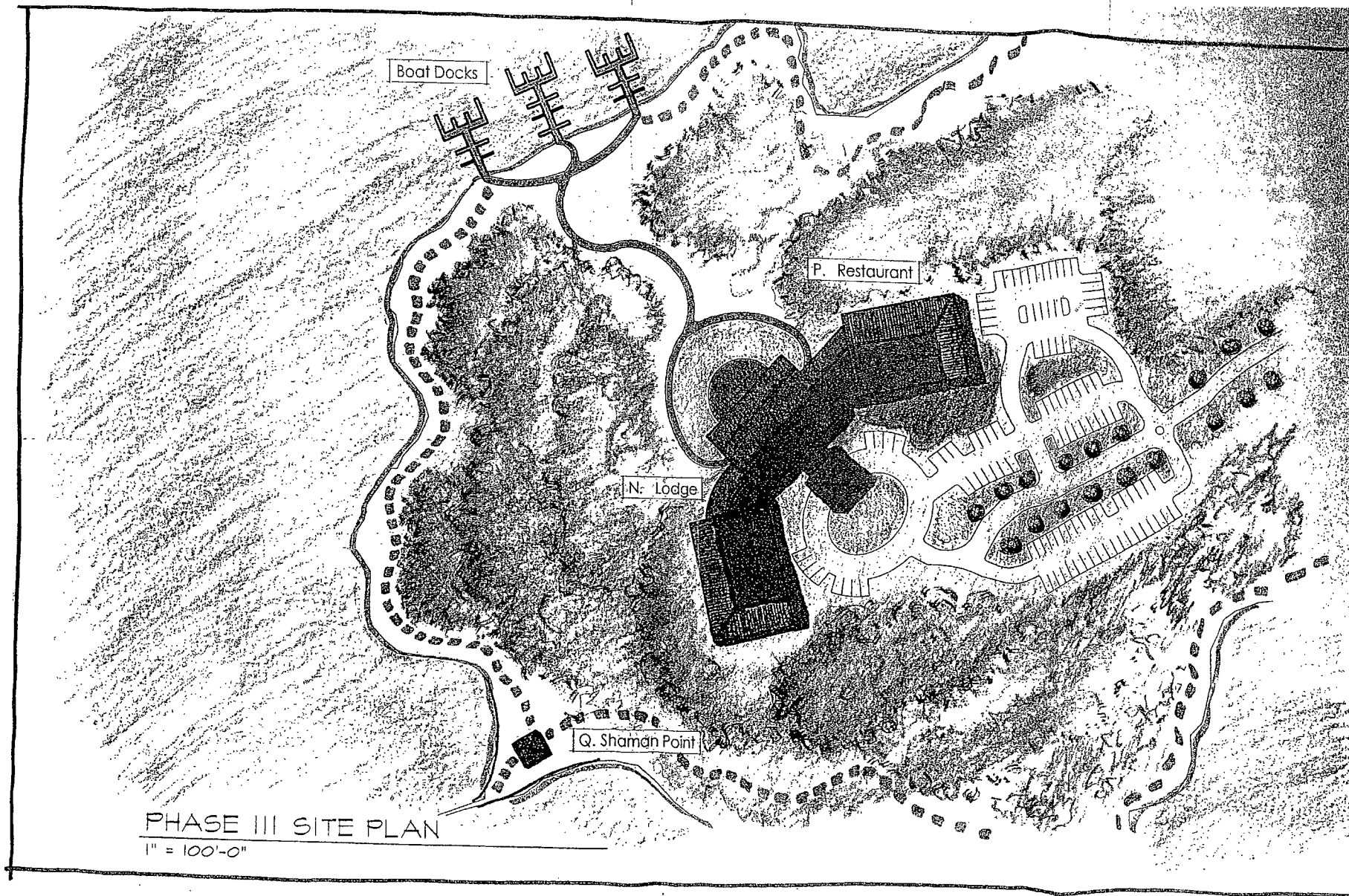


Phase III

- Resort/ Conference Center
- Restaurant
- Group Cabins
- Fishing Pier
- Bulkhead
- Boat Dock
 - 30-40 boats
- Infrastructure
 - Parking
 - Re-defining entry road to provide sense of arrival for Resort/Conference Center
- Utilities Infrastructure
 - Sewage treatment facility

This phase will entail the development of approximately 26 acres. The preliminary estimated cost for this part of the development is \$6,000,000.

This phase will take 18 - 24 months to complete.



Phase IV

- Cabins
- Courtesy Boat Docks
(36) 3 docks with 12 slips each
- Secondary recreational opportunities

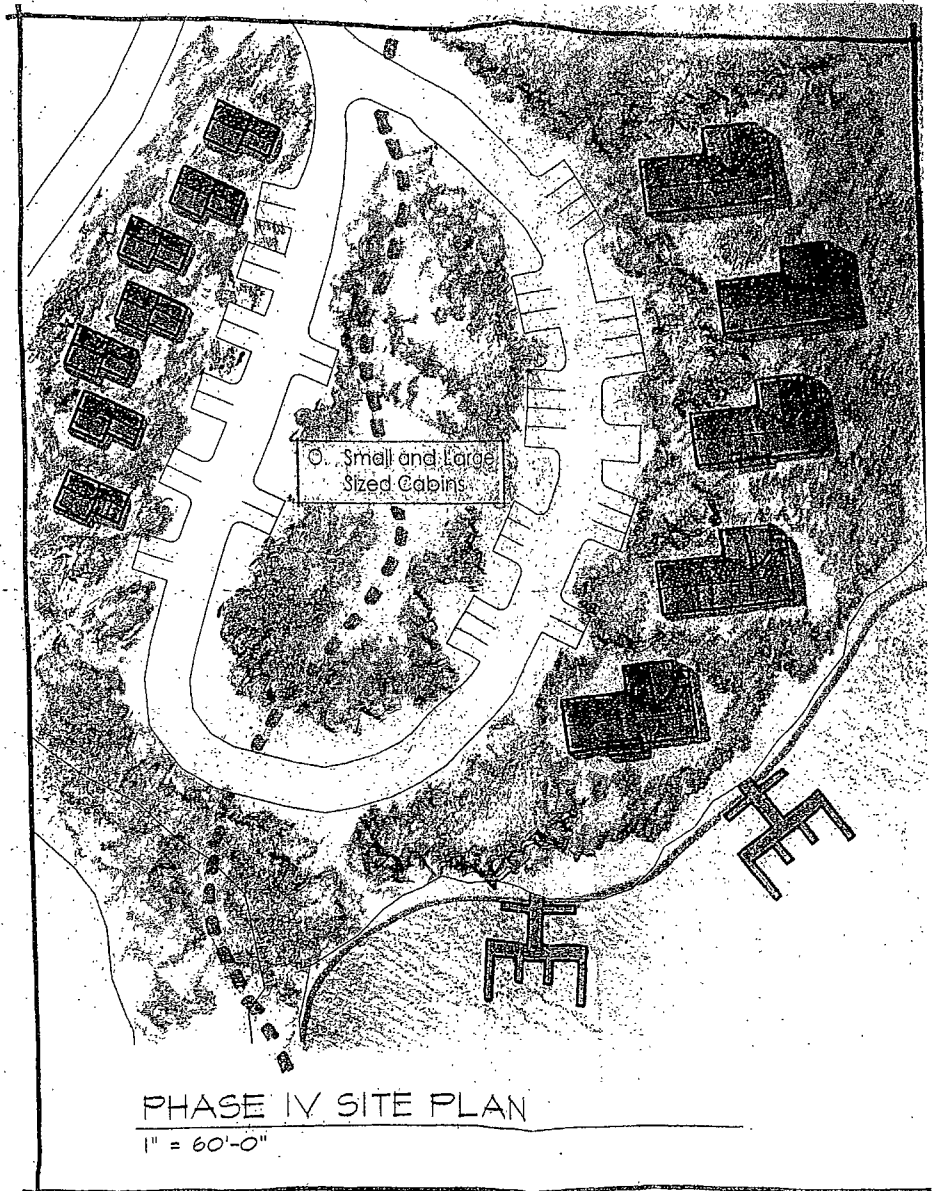
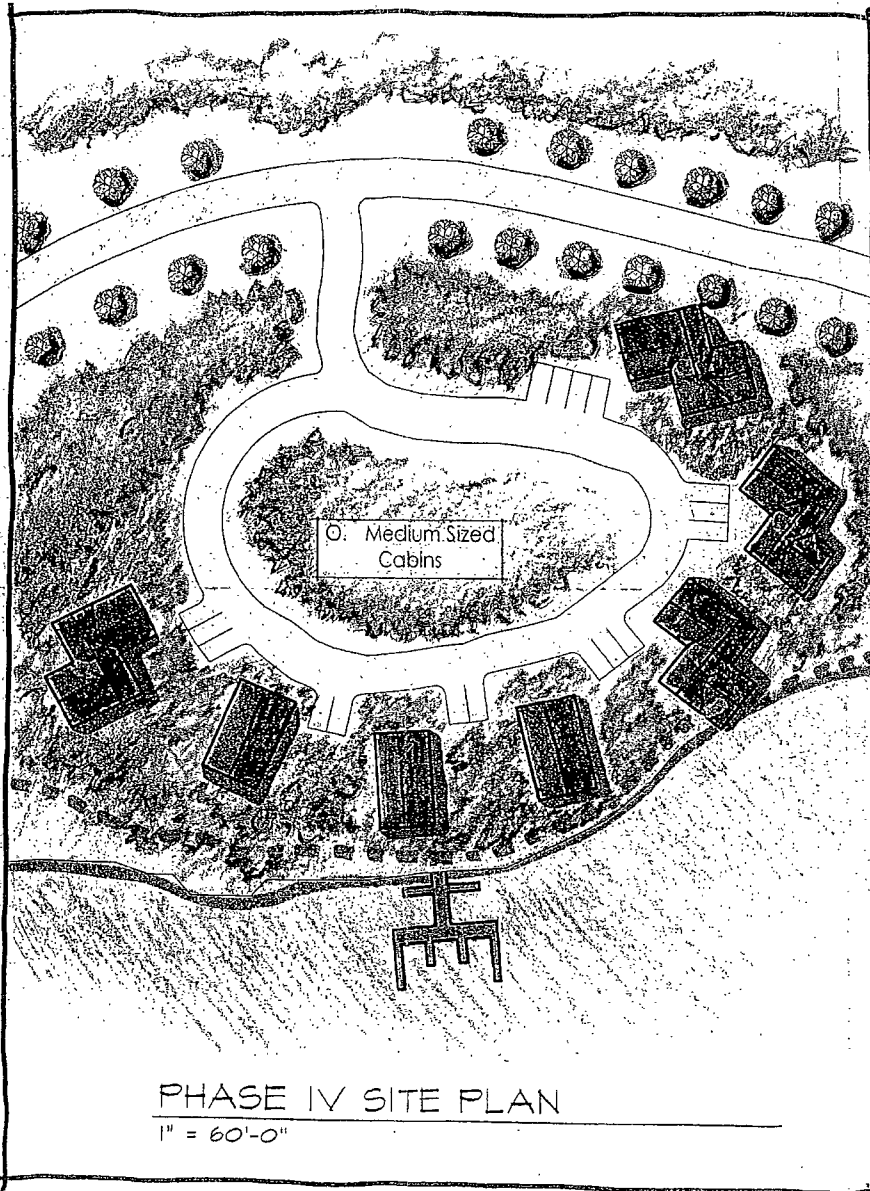
This phase calls for the final development of the remaining 16 acres.

Preliminary cost estimate for this phase is \$1,000,000 - \$1,500,000.

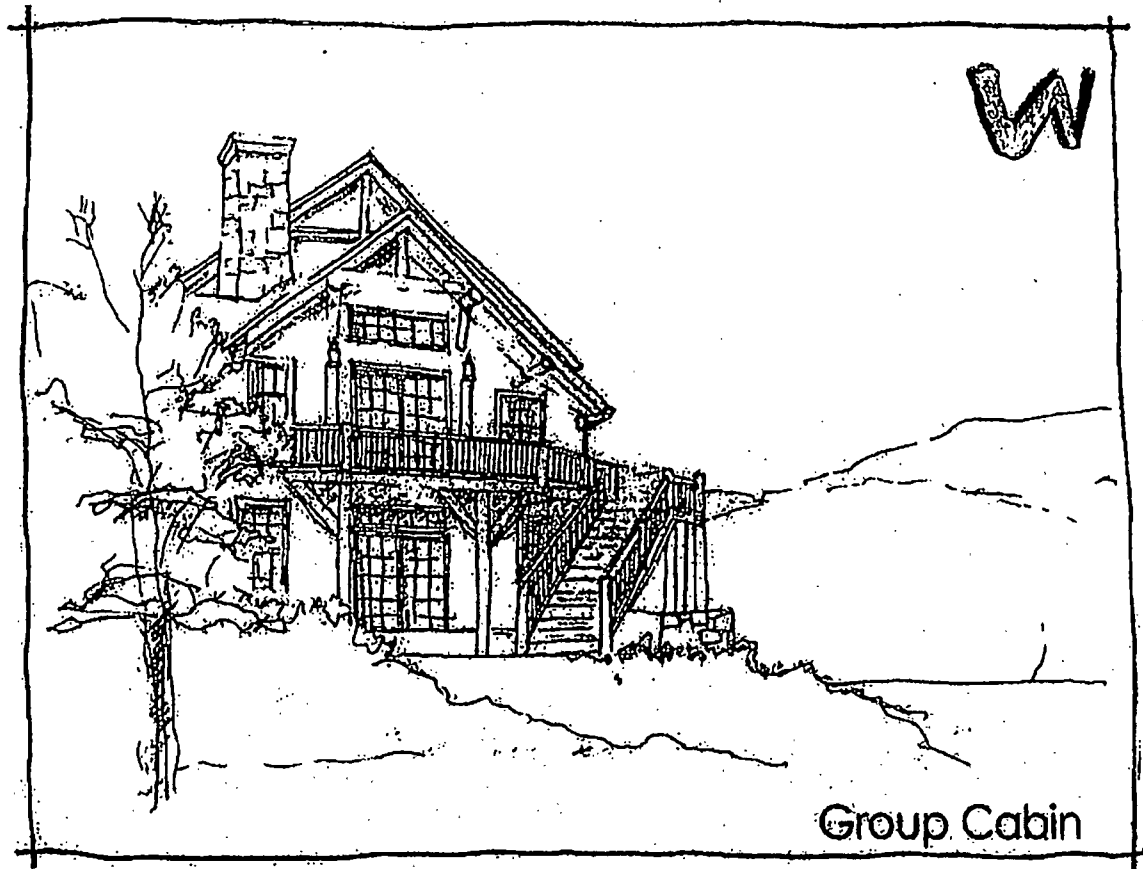
Construction time is estimated to be 6-12 months.

Please note:

Phasing will overlap to expedite overall construction time. While one phase is being constructed, design and engineering on the next phase will be in process.

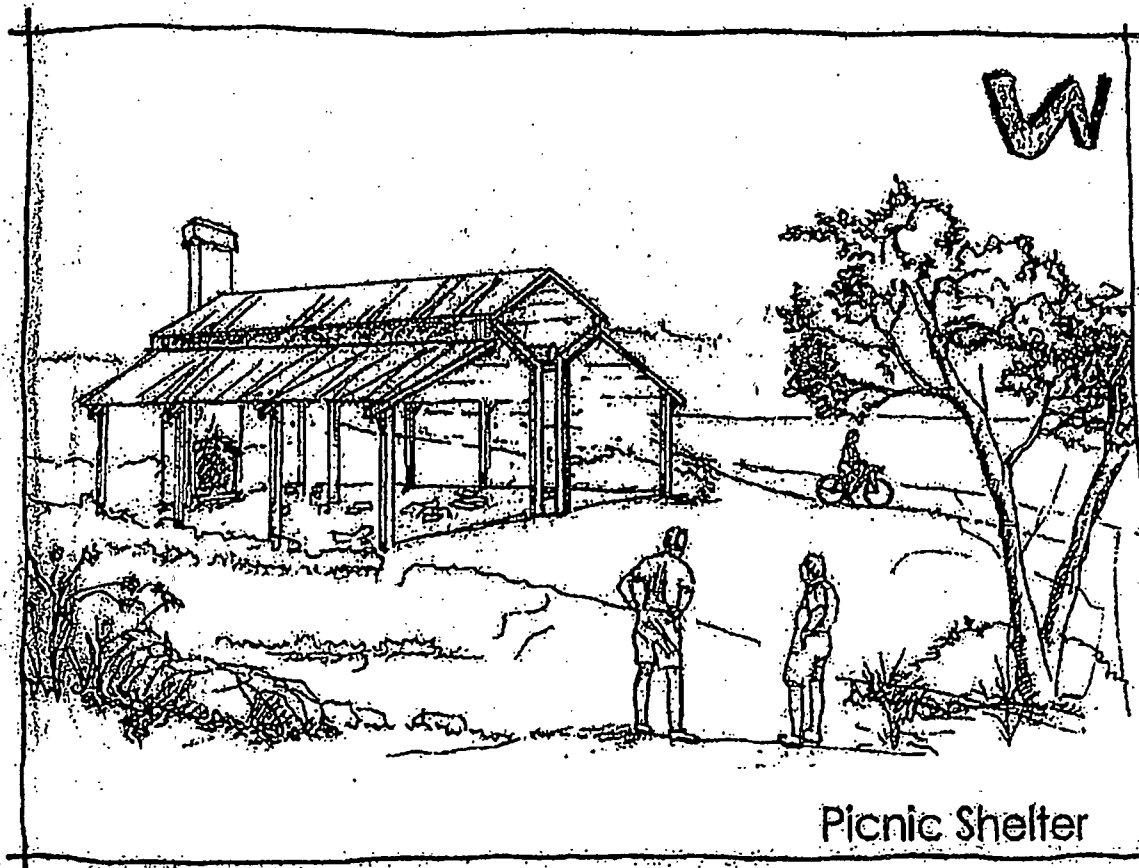


RECYCLED PAPER



Group Cabin

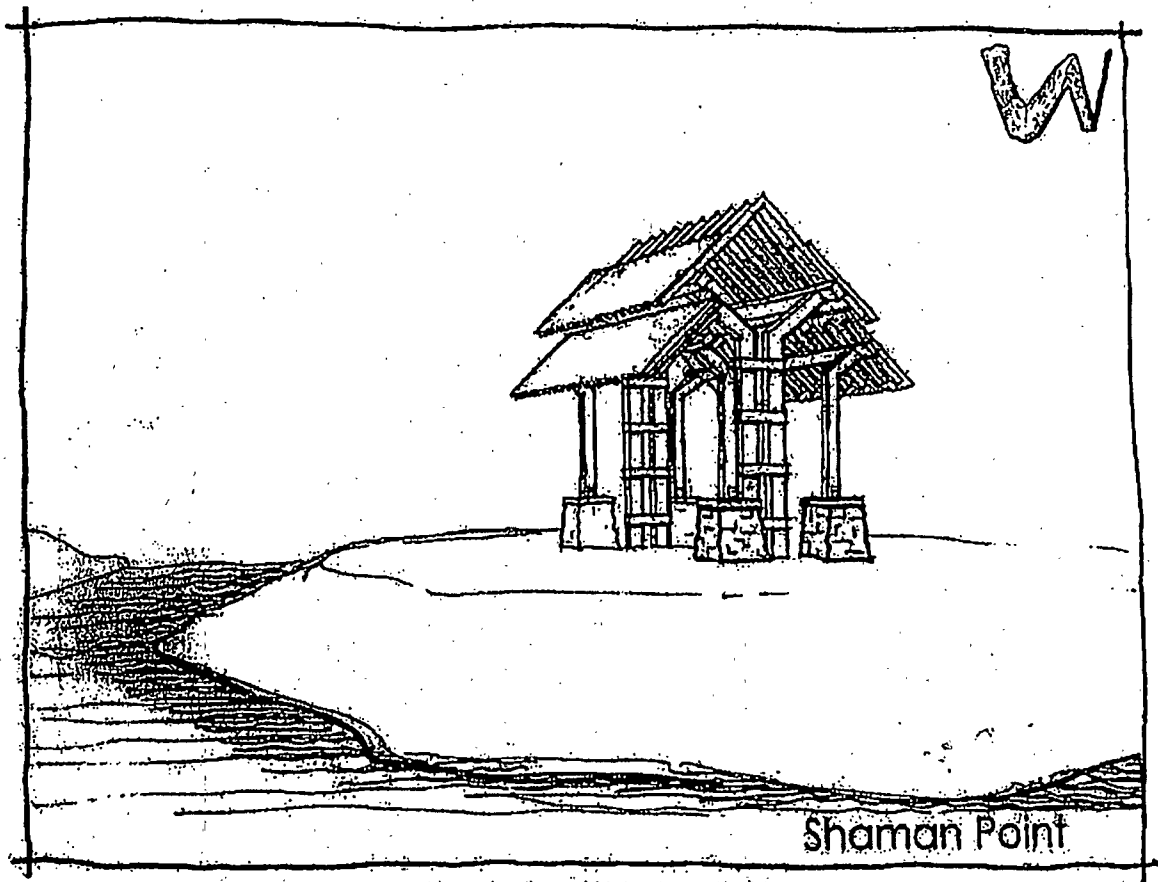
The Ellis Group P. A. Architects Greenville, SC



Picnic Shelter

The Ellis Group P. A. Architects Greenville, SC

APB_00129



Native Stone incorporated into a Flowering Landscape..

Heavy Timber Building Frames Alluding to the Wooded Character of the Site..

Metal Roofs Resonating the Falling Rain...

Stacked Stone Chimneys around which to Gather...

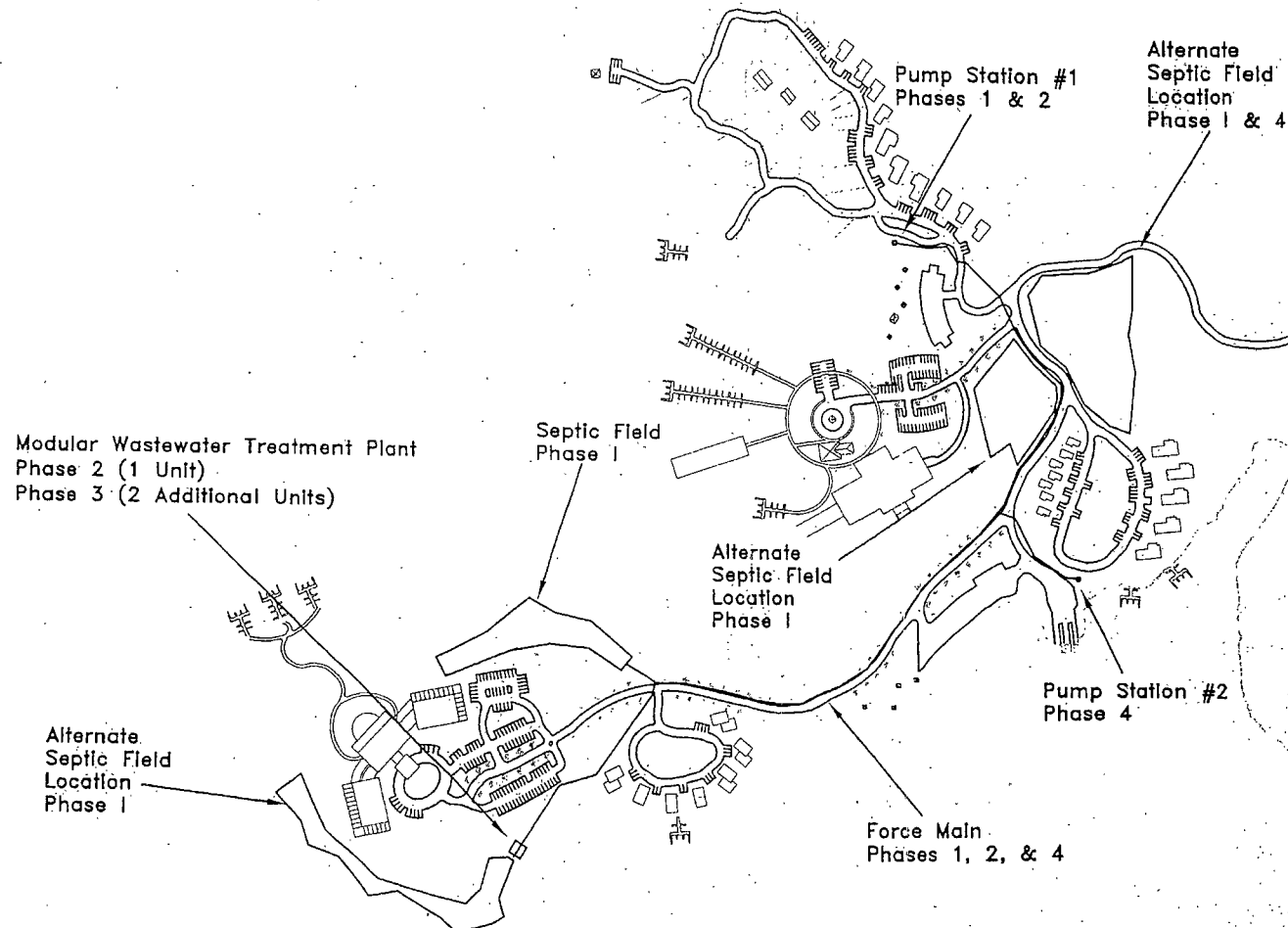
Nature Imprinting a Lasting Essence of Place.

WARPATH LANDING
Conceptual Design of Waste Treatment Facilities
2/28/05

Wastewater Design Basis

The following table summarizes a design basis for wastewater from the proposed facilities based on the Standards for Wastewater Facility Construction: R.61-67, SC DHEC, June 1998. Flow data is from Appendix A: *Unit Contributory Loadings to All Domestic Waste Treatment Plants*. Seasonal flows are denoted with an "S."

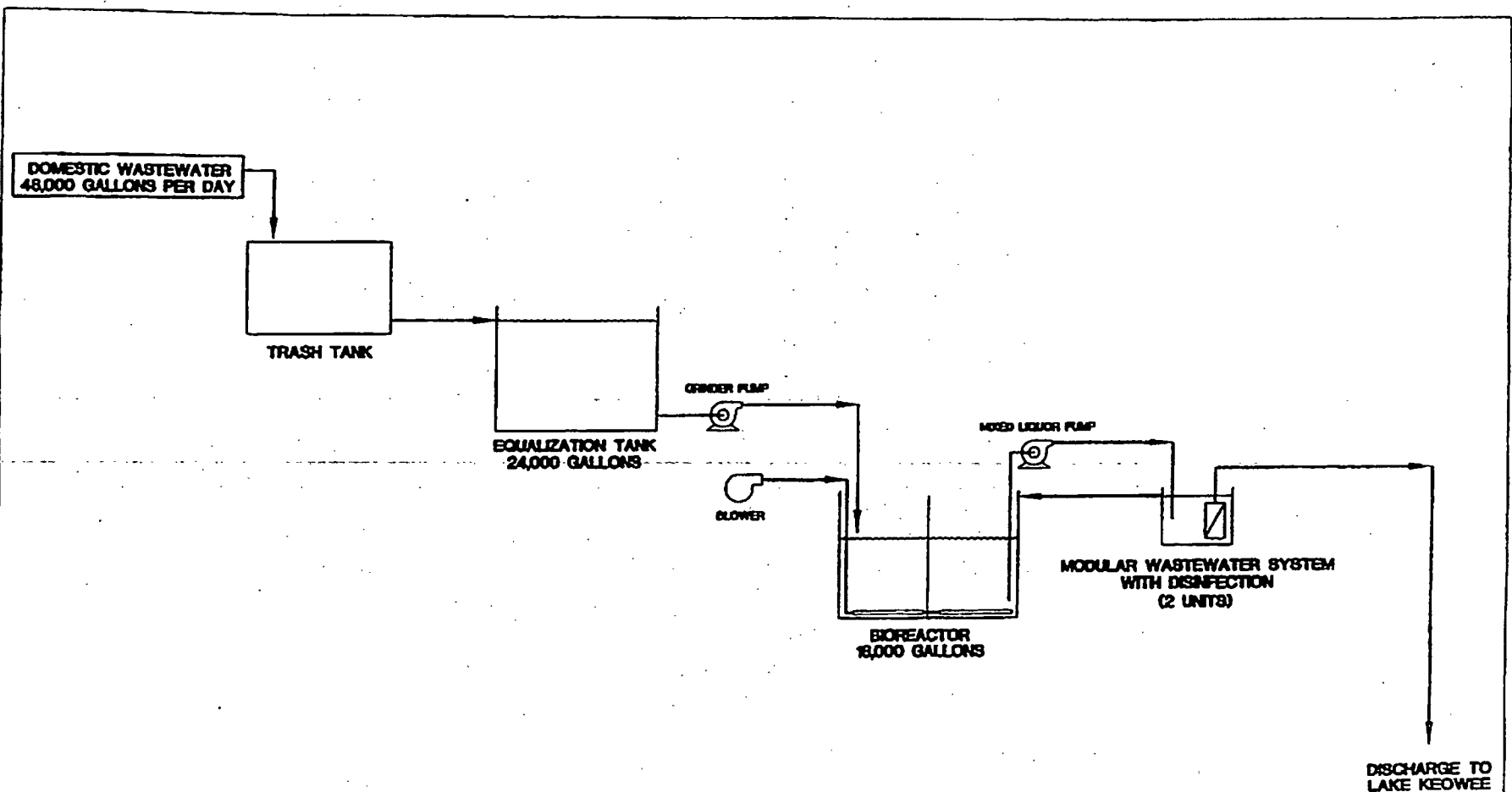
Development	Basis (Per day)	Units	Design Flow
Phase I			
Dry Boat Storage	40 gals/employee	4 employees	160 gpd (S)
Fuel Dock	30 gals/slip	20 spaces	600 gpd (S)
Marina Grill	40 gals/seat/day	8 seats	320 gpd (S)
Boat Slips	30gals/slip	160 slips	4800 gpd (S)
		Total Phase I	5880 gpd
			0
Phase II			
Campground			
34 RV spaces	175 gals/site	34 spaces	5950 gpd (S)
10 campsites	50 gals ppd	3 people/campsite	1500 gpd (S)
10 Cabins	100 gals ppd	3 people	3000 gpd (S)
Bath House	Included		
Picnic Shelter	Included		
Fishing Pier	Included		
Boat Dock (16 spaces)	30 gals/space	20 spaces	600 gpd (S)
		Total Phase II	11,050 gpd
Phase III			
Conference Center	100 gals/room	120 rooms	12,000 gpd
Swimming Pool/spa	10 gals/user	20 users	200 gpd
Restaurant	70 gals/seat	250 seats	17,500 gpd
Group Cabins			
Three single	100 gals ppd	3 person per room	900 gpd
Four with 4 rooms	100 gals ppd	2 persons per room	3200 gpd
Fishing Pier	Included		
Boat Dock	30 gals/space	12 spaces	360 gpd
		Total Phase III	34,160 gpd
Phase IV			
Cabins	100 gppd	10 cabins x 3 people	3,000 gpd (S)
Picnic Shelters	Included		
Fishing Pier	Included		
Boat Dock	30 gals/space	8 spaces	240 gpd (S)
		Total Phase IV	3,240 gpd



148 RIVER STREET, SUITE 220
GREENVILLE, SOUTH CAROLINA 29601
PHONE: 864.421.9999
www.fletcher-group.com

DESIGNED BY:
PROJECT MANAGER, CIVIL
LANDSCAPE ARCHITECT, CIVIL

FIGURE 1
WASTEWATER TREATMENT CONCEPT
WARPATH LANDING PUBLIC RECREATION AREA
PICKENS COUNTY, SOUTH CAROLINA



APB_00134

36

FIGURE 2
 PROCESS FLOW DIAGRAM
 WASTEWATER TREATMENT SYSTEM
 WARPAT LANDING PUBLIC RECREATION AREA
 PICKENS COUNTY, SOUTH CAROLINA

In round numbers, Phase I would be 6,000 gpd, Phase II 11,000 gpd, Phase III 34,000 gpd and Phase IV - 4000 gpd, for an ultimate total of 55,000 gpd.

In order to accommodate the construction phasing and still provide system flexibility, Fletcher Group, Inc. proposes to construct a septic tank field to accommodate Phase I. Standard septic tank design calls for a drain field that will handle .5 gal/day/sq ft. Trenches are typically 3 ft wide and can be no closer together than 10 ft. The field should have a backup area that can handle 100% of the flow. Using this criterion, the 6000 gpd will require approximately 12,000 sq ft, or 4,000 lineal ft of trench. Parallel lines should be no longer than 150 ft, so a flat area of 150 ft x 267 ft (approximately .9 acre) would be required.

The final design will depend on topography, soils and the site master plan. Multiple septic tanks could be used to accommodate specific site conditions. Figure 1 shows four potential locations for drain fields at Warpath Landing. All of those drain fields should be integrated into surrounding land uses. The following photograph shows a drain field threaded through trees at Devils Fork State Park.

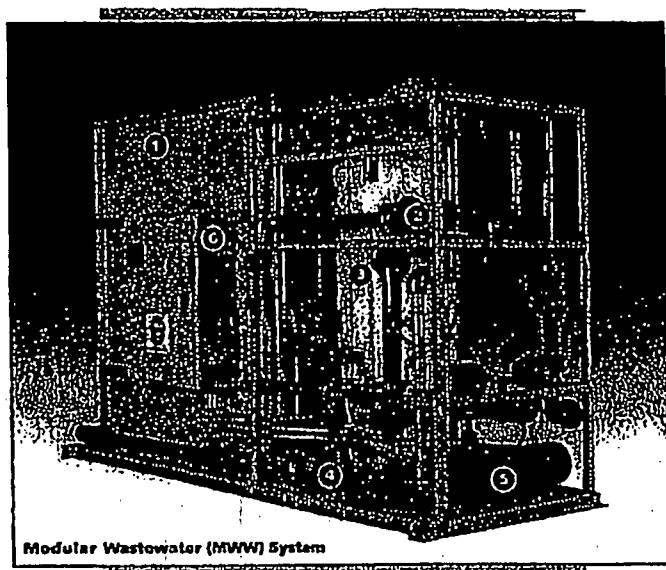


Phase II will generate 11,000 gpd of wastewater. This would involve 2 more acres of drain fields in and around the campsites, cabins and bath house. Although this solution is possible, we would recommend that the developers consider constructing the first of two 24000 gpd waste treatment modules to be located near the future conference center. Assuming a lake discharge, we believe that a biological membrane would work better than a conventional package plant. One manufacturer of biological membranes will guarantee the following performance

BOD ₅	< 5 mg/L
TSS	< 3 mg/L
Ammonia Nitrogen	< 1 mg/L
Total Nitrogen	< 5 mg/L

Total Phosphorus	< 1 mg/L
Turbidity	< 1 NTU
Fecal Coliform	< 2.2 cfu per 100 mL

The following photograph shows a Zenon 24,000 gpd module. Each module is roughly 4 ft by 12 ft long. In addition, there would need to be an 8000 gallon aeration tank and a septic tank for collecting trash in front of the unit. The Septic Tank from Phase I could be used for this purpose. Figure 2 shows a Process Flow Diagram.



The Phase I pump station and pipeline would transfer the waste from both Phase I and Phase II. The treatment plant could be shutdown in the winter and the drain field used for all of the wastes.

Phase III will generate the largest load: 34,000 gpd. A second 24,000 gpd module should be able to handle to total flow. For a total flow of 51,000 gpd, it may be necessary to divert 3000 gpd to a septic tank and the drain field. For winter operation, one of the modules could be shut down.

The last phase has 4000 gpd, and the only new construction would be a small pump station. The drain field would only need to be slightly enlarged to handle the flow. Actual flows may show that SC DHEC estimates are conservative and no expansion is necessary. Alternatively, a drain field could be constructed to handle the bathhouses in Phase II, or the Phase I drain field could be expanded by approximately .2 acres. These plans can be finalized when actually site conditions are factored in.

Alternate Scenario

Pickens County prefers drip irrigation systems to discharges to the lake. An alternate that may prove less expensive is to use more conventional treatment and purchase offsite property that can be used for constructed wetlands, drip irrigation, spray irrigation or a larger drain field. A drip irrigation system, for example, applies the wastewater to forested areas where it is absorbed by

the trees. At a loading of 10 lbs of BOD/day/acre, approximately 12 acres would be required. This area would need to be fenced. The wastewater would require conventional secondary treatment, but could then be pumped to a distribution system on the leased property.

Costs

Fletcher Group Inc. believes the above approaches will solve waste treatment problems for the development. We will submit a budget cost estimate by the end of this week. However, more detailed estimates should be made when specific site issues can be factored in.

Water

The area is served by the Six Mile Water District. We believe that they can supply water to the development.

Solicitation/Contract No. _____

Attachment No. _____

REPRESENTATIONS AND CERTIFICATIONS (Supplemental)

By submitting this document, the Offeror certifies that the following statements are current and correct. If any of these statements are incorrect or false, the Offeror shall provide an explanation with its offer and further clarification as requested by the Buyer. The Buyer may reject any offer that does not include this completed and signed document.

Offeror is authorized to represent the business making this offer (Offeror) in all matters related to pricing, terms and conditions, nature of business, and buyer-seller relationships between Offeror and the Buyer.

Offeror is an independent business concern free to enter a binding agreement or contract with the Buyer without any restrictions from another business entity or parent company. If Offeror is owned or controlled by a parent company, Offeror shall identify the parent company or controlling entity in its offer.

Prices offered have been arrived at independently, without consultation, communication, agreement, or condition that relates to the proposal by any other Offeror or competitor. The Offeror has not, and will not, disclose offered prices to any other Offeror or competitor prior to award of a resulting contract, or cancellation of this solicitation. The Offeror has not attempted to induce any other person or firm to submit, or not submit, an offer in response to this solicitation. Offeror warrants that the prices offered do not exceed those currently offered to any other customer for the same or similar quantities of the same or similar goods or services.

4. No person or company, other than Offeror's employee(s) or affiliate firms, has/have been paid to solicit or obtain this Contract nor has any agreement been made to pay a person or company a commission, fee, or any form of compensation contingent upon award of this solicitation.
5. Offeror has not, within a 3-year period preceding this offer, had one or more contracts terminated for default by any Federal agency.
6. Offeror agrees to comply with the provisions of federal Service Contract Act (SCA), P.L. 89-286, 41 U.S. Code 351, as amended, or applicable rulings and regulations of the U.S. Secretary of Labor, for services which will be performed by categories of workers identified in the SCA. Personnel performing work under the Contract will be paid wages and fringe benefits not less than those determined by the Secretary to be prevailing in its locale, or those established by a bargained wage and benefit agreement, applicable to the Contract as provided in the SCA, throughout the performance of the Contract.

These certification statements concern matters within the jurisdiction of an agency of the United States. Making a false, fictitious, or fraudulent certification may render Offeror subject to prosecution Section 1001, Title 18, United States Code. The Buyer may withhold an award based on any negative responses to the certifications above and/or Offeror's failure to adequately describe the conditions of the response.

Offeror agrees that the certifications and conditions provided herein are a material and binding part of, and are hereby incorporated by reference into, any resulting contract unless specifically excluded in the contract.

Offeror: _____	Tax ID or Social Security No: _____
Authorized Representative: _____	Title: _____
Signature _____	Date: _____
Internet Homepage/Email Address: _____	

Representations and Certifications (Supplemental)

1 of 1

PNW-J63 (699)

EXHIBIT C

HOURS OF OPERATION AND USER FEES

APB_00139

Warpath Development Corporation
Post Office Box 24234
Greenville, South Carolina 29616
864-346-6888

David S. Jolley
Duke Energy
Duke Energy Lake Service
EC12Q / P.O. Box 1006
Charlotte, NC 28201-1006

Reference: Warpath Development Corporation
Hours of Operations and User Fees

Dear David,

Basic operating hours will be three hundred sixty-five (365) days per year for Lodge/Hotel, Marina, Campsites, RV Parking and Cabins.

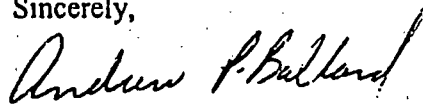
Seasonal Hours for Ship's Store, Marina Grill and Dry Boat Slip will be confirmed closer to opening of Public Access Areas.

Operational hours for Lodge/Hotel inner services are set closer to time of opening;

Restaurant
Banquet Facilities
Lounge
Room Service

Most of these facilities will operate on a daily schedule of 6:00 a.m. until 9:00 p.m.

Sincerely,



Andrew P. Ballard

APB: bnb

Attachment

APB_00140

Wet Boat Slips -	\$1,800 per year to \$4,000 per year; should average about \$2,500 per year based on boat size.	
Dry Boat Slips -	\$10.00 per foot with average boat being about \$2,500 per year; maximum boat 34 feet.	
Ship Store -	will be like a small convenience store with gasoline, grocery products and marina supplies.	
Marina Grill -	Breakfast, Lunch and Dinner	
RV Parking Spaces -	Summer Rates:	\$60.00 per night
	June 1 st to Aug 31 st	\$300.00 per week
	Fall Rates:	\$60.00 per night
	Sept 1 st to Nov 31 st	\$300.00 per week
Campsites -	Winter Rates:	\$45.00 per night
	Dec 1 st to Feb 28 th	\$225.00 per week
	Spring Rates:	\$60.00 per night
	March 1 st to May 30 th	\$300.00 per week
	Summer Rates:	\$35.00 per night
		\$150.00 per week
	Fall Rates:	\$35.00 per night
		\$150.00 per week
	Winter Rates:	\$20.00 per night
		\$100.00 per week
	Spring Rates:	\$35.00 per night
		\$150.00 per week

Lodge/Hotel -	Maximum 120 rooms
Summer Rates:	\$149.00 per night \$750.00 per week
Corporate Rate:	\$ 99.00 per night
Fall Rates:	\$149.00 per night \$750.00 per week
Corporate Rate:	\$ 99.00 per night
Winter Rates:	\$109.00 per night \$550.00 per week
Corporate Rate:	\$ 99.00 per night
Spring Rates:	\$149.00 per night \$750.00 per week
Corporate Rate:	\$ 99.00 per night

Special Rates or Promotional Rates may be extended to certain groups and organizations.

Restaurant at Lodge/Hotel - Breakfast
Lunch
Dinner
Room Service
Banquet Facilities
Lounge
Fine Dining Restaurant

Cabins - Small Size: (2 Bedrooms)
Medium Size: (2 & 3 Bedrooms)
Family/Group: (4 Bedrooms)
Rates: \$100.00 per night per Bedroom

Larger Picnic Shelter: Daily Rates

EXHIBIT D

ANNUAL OPERATIONAL REPORT

APB_00143

Annual Operational Report

I. Basic Information

- A. Facility Name
- B. Lessee Name
- C. Name, Address, E-Mail, Phone Number of primary contact person
- D. Reporting Period

II. Facility Summary

- A. Structural Modifications – identify any facilities or amenities that were retired or added during the report period. For additions, also provide a copy of the Lessor's approval letter.
- B. Facility Inventory –inventory of all structures and amenities on the leased premises at the end of the reporting period.

III. Third Party Agreement Summary

- A. Identify any contracts or agreements with third parties for the sale of goods or services on the Leased Premised during the reporting period, and provide a copy of the Lessor's approval letter for each.

IV. User Summary

- A. Provide a summary of the numbers of public recreational users of the Leased Premises during the reporting period.

V. Financial Summary

- A. Total Debits
 - 1. O&M – Lessee's total Operating and Maintenance expenses for the Leased Premises during the reporting period.
 - 2. Capital – Lessee's total payments toward obligations incurred for capital improvements on Leased Premises during the reporting period.
 - 3. Total – Lessee's total debits for the Leased Premises during the reporting period.

B. Total Credits

1. User Fees – Total income obtained by Lessee from users of the Leased Premises during the reporting period.
2. Payments from Vendors or Third Party Contractors – Total income obtained by Lessee from vendors and contractors selling goods and/or services from the Leased Premises during the reporting period.
3. Other Lessee Credits – Total contributions received from other sources (e.g. donations) by Lessee for use of the Leased Premises during the reporting period.
4. Grants – Total of funds provided by grant sources for O&M or Capital Improvements during the reporting period.
5. Total Credits – Lessee's total credits for the Leased Premises during the reporting period.

C. Net Cost of Operation – Total Debits minus Total Credits

1. Note: If total Debits are less than Total Credits, provide an explanation of how excess credits were used, to demonstrate compliance with the lease terms, Paragraph 7: User Fees and Hours of Operation.

D. Cumulative Total Capital Investment

1. Cumulative total investment Lessee has made, by itself, through third party contractors, from grants, or from donations during the life of the lease.

VI. Insurance Identification

- A. Provide a brief description of the current means of compliance with the lease terms, Paragraph 30: Insurance by Lessee.

VII. Annual Inspection Results

- A. Identify the names of participants and date of annual inspection required by the lease terms, Paragraph 8: Joint Annual Inspection. Identify any major action items required and the status of completing each.

EXHIBIT E

FERC ORDER NUMBER 313

COMMISSION RECREATION POLICY

APB_00146

COMMISSION RECREATION POLICY

ORDER NO. 313 - DOCKET NO. R-294

As Amended By

ORDER NO. 375-B - DOCKET NO. R-294

And

ORDER NO. 508 - DOCKET NO. RM74-21

Federal Power Commission Order No. 313, issued and effective December 27, 1965, amended Part 2, General Policy and Interpretation, Subchapter A, Chapter I of Title 18, Code of Federal Regulations, by adding a new Section 2.7 entitled "Recreational development at licensed projects." Order No. 375-B, issued and effective April 14, 1970, amended subparagraph (f) thereof. Section 2.7, as amended, reads as follows:

§2.7 Recreational development at licensed projects.

The Commission will evaluate the recreational resources of all projects under federal license or applications therefor and seek, within its authority, the ultimate development of these resources, consistent with the needs of the area to the extent that such development is not inconsistent with the primary purpose of the project. Reasonable expenditures by a licensee for public recreational development pursuant to an approved plan, including the purchase of land, will be included as part of the project cost. The Commission will not object to licensees and operators of recreational facilities within the boundaries of a project charging reasonable fees to users of such facilities in order to help defray the cost of constructing, operating, and maintaining such facilities.

The Commission expects the licensee to assume the following responsibilities:

- (a) To acquire in fee and include within the project boundary enough land to assure optimum development of the recreational resources afforded by the project. To the extent consistent with the other objectives of the license, such lands to be acquired in fee for recreational purposes shall include the lands adjacent to the exterior margin of any project reservoir plus all other project lands specified in any approved recreational use plan for the project.

- (b) To develop suitable public recreational facilities upon project lands and waters and to make provisions for adequate public access to such project facilities and waters and to include therein consideration of the needs of physically handicapped individuals in the design and construction of such project facilities and access.
- (c) To encourage and cooperate with appropriate local, state, and federal agencies and other interested entities in the determination of public recreation needs and to cooperate in the preparation of plans to meet these needs, including those for sport fishing and hunting.
- (d) To encourage governmental agencies and private interests, such as operators of user-fee facilities; to assist in carrying out plans for recreation, including operation and adequate maintenance of recreational areas and facilities.
- (e) To cooperate with local, state, and federal government agencies in planning, providing, operating, and maintaining facilities for recreational use of public lands administered by those agencies adjacent to the project area.
- (f)
 - (1) To comply with federal, state and local regulations for health, sanitation, and public safety, and to cooperate with law enforcement authorities in the development of additional necessary regulations for such purposes.
 - (2) To provide either by itself or through arrangement with others for facilities to process adequately sewage, litter, and other wastes from recreation facilities including wastes from watercraft, at recreation facilities maintained and operated by the licensee or its concessionaires.
- (g) To ensure public access and recreational use of project lands and waters without regard to race, color, sex, religious creed or national origin.
- (h) To inform the public of the opportunities for recreation at licensed projects, as well as of rules governing the accessibility and use of recreational facilities.

EXHIBIT 4

TAB A

IBES

INTERNATIONAL
BUSINESS EQUITY
SOLUTIONS

CLIENT APPLICATION

Please complete this form with as much detail as possible.
(Use additional pages where necessary and indicate "N/A"
Where not applicable)

PROJECT NAME: Warpath Landing
Date: March 31, 2009

1. TYPE OF PROGRAM REQUESTED:

☐ Profit Sharing (No-Loan) ☐ SBLC Project Funding

☐ Flex Term Project Funding ☐ REAP

2. AMOUNT OF FUNDING REQUESTED:

\$ 28,000,000.00

3. TERM OF PROJECT DRAW-DOWN SCHEDULE:

☒ 36 Months ☐ 24 Months ☐ 12 Months ☐ Other _____

4. SBLC FACE AMOUNT:

\$ 2,800,000.00

5. CLIENT INFORMATION:

Company: SAIIE

Name: _____

Title: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____

Fax: _____

Email: _____

6. CONTACT INFORMATION:

Company: Warpath Development, Inc.

Name: Rick Thrommes

Title: Treasurer

Address: 65 Pariste Circle, Ste 2101

City: Columville State: SC Zip: 29615

Phone: 864 230 5555

Fax: 864 230 5504

Email: Rick@TheNGroup.net

7. CONTRACT MADE OUT TO:

(Legal Name and Address of Client for all communication and documents)

Company: Warpath Development, Inc.

Authorized Signatory Name: Rick Thrommes

Authorized Signatory Title: Treasurer

Address: SAIIE

City: _____ State: _____ Zip: _____

Phone: _____

Fax: _____

Email: _____

INTERNATIONAL BUSINESS EQUITY SOLUTIONS, LLC (IBES), RECEIVES NO CASH OR ADVANCE FEES FOR ITS SERVICES. WE PROVIDE PROJECT FUNDING IN RESPONSE TO THE RECEIPT OF A PERFORMANCE BOND IN THE FORM OF A STANDBY LETTER OF CREDIT (SBLC). THE FOLLOWING INFORMATION IS REQUIRED TO ESTABLISH A CONTRACT FOR FUNDING.

CLIENT APPLICATION

8. CLIENT BANK INFORMATION FOR RECEIPT OF PAYMENT:

Bank Name: Greenville First Bank
Account Name: Warpath Development, Inc.
Account Number: _____
Bank Address: 100 Verdac Blvd, Greenville SC
Bank Officer: Richard Furman
Bank Phone: 864.679.9000
Bank Facsimile: 864.679.9416
E-mail: rfurman@greenvillefirst.com

9. CLIENT SBLC ISSUING BANK INFORMATION:

Bank Name: _____
Account Name: _____
Account Number: _____
SWIFT: _____
Bank Address: _____
Bank Officer: _____
Bank Phone: _____
Bank Facsimile: _____
E-mail: _____
Face Amount of the SBLC: \$ _____
Requested Term of the SBLC in Months: _____
Anticipated Date of Issue: _____

10. CRITICAL DATES:

Are there any critical dates which must be met for this project, e.g. 1031 exchange, contract expiration dates, bank note due? If yes, please explain:

No

11. USE OF FUNDS

(E.g. purchase, construction, development, etc.):

Development

12. ADDITIONAL COMMENTS:

13. SIGNATURES:

IBES AUTHORIZED ASSOCIATE

Printed Name: _____

Signature: _____

Date: _____

CLIENT

Printed Name: Rick Thomas

Signature: [Signature]

Title: Treasurer

Date: 3-31-09

INTERNATIONAL BUSINESS EQUITY SOLUTIONS, LLC (IBES), RECEIVES NO CASH OR ADVANCE FEES FOR ITS SERVICES. WE PROVIDE PROJECT FUNDING IN RESPONSE TO THE RECEIPT OF A PERFORMANCE BOND IN THE FORM OF A STANDBY LETTER OF CREDIT (SBLC). THE FOLLOWING INFORMATION IS REQUIRED TO ESTABLISH A CONTRACT FOR FUNDING.



MUTUAL NON-CIRCUMVENTION, NON DISCLOSURE AND CONFIDENTIALITY AGREEMENT

This Mutual Non Circumvention, Non Disclosure and Confidentiality Agreement (the "Agreement") is made effective as of the 31 day, of MARCH, 2009, by INTERNATIONAL BUSINESS EQUITY SOLUTIONS, LLC, a California limited liability company with its principal place of business located at 51 West Elliot Road, Suite 103, Tempe, AZ 85284 together with THE CAMBRIDGE TRUST, an Arizona trust with its principal place of business located at 201 East McNair, Tempe, AZ 85283 (the "Company"), and Warpath Development Inc. a SC Corp with his principal place of business located at 68 Pointe Circle, Ste 2101, Greenville, SC 29615 (the "Client").

WITNESSETH:

WHEREAS, Client and Company have each expressed an interest in entering into various financial transactions with each other and in order to further discussions, Client and Company (each a disclosing Party), desire to disclose certain information to the other (each a receiving Party) subject to the terms and conditions of this Agreement

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged and intending to be legally bound hereby, Client and Company agree as follows:

- Section 1. Each Party hereto acknowledges and agrees that the information to be provided to the receiving Party will contain information which is confidential and proprietary to the disclosing Party (the "Proprietary Information"). The Proprietary Information includes all information that is confidential or proprietary to the disclosing Party, whether disclosed orally or in printed or electronic media or otherwise, including but not limited to information relating to each Party's attorney, or their respective banking, bank contacts and all copies, summaries, memoranda, notes and the like, prepared by the receiving Party based on or using the Proprietary Information of the disclosing Party. Proprietary Information does not include information which (a) is or becomes generally available to the public other than as a result of a breach of this Agreement, (b) is within the possession of the receiving Party at the time of disclosure by the disclosing Party, or (c) is disclosed to the receiving Party by a third person who is not under a contractual, fiduciary or other obligation to maintain the confidentiality of such information.
- Section 2. Each receiving Party will hold the Proprietary Information in strictest confidence, and will use the Proprietary Information only for purposes of evaluating its interests in a potential Transaction and for no other commercial or other purpose. If a Transaction is not consummated between or involving the parties, then, at the request of a disclosing Party, the receiving Party will return to disclosing Party or destroy all copies of documents in its possession or control, containing any Proprietary Information. Any contacts or clients introduced by Client to Company shall be considered the property of Client. Any contacts or clients introduced by Company to Client shall be considered the property of Company.
- Section 3. Without limiting the generality of paragraph 2 above, each Party hereto will disclose the Proprietary Information it receives only to those employees, directors and professional advisors who need access to the Proprietary Information to enable such Party to evaluate its interest in a possible Transaction, and to no one else; provided, that prior to such disclosure, each such employee, director and financial advisor shall agree to the terms of this Agreement and expressly acknowledge the disclosing Party as a beneficiary thereof. In any event, each Party hereto shall be responsible to the other Party hereto for a breach of confidentiality by any such employee, director or professional advisor.
- Section 4. If the receiving Party is requested or required by any court or government agency or authority to disclose any of the Proprietary Information, the receiving Party will provide the disclosing Party with prompt notice of such request or requirement. The disclosing Party may then either seek appropriate protective relief or waive the receiving Party's compliance with the provisions of this Agreement with respect to the requested or required disclosure. If, after the disclosing Party has had a reasonable opportunity to seek such relief and fails to obtain it, and in the opinion of the receiving Party's counsel, the receiving Party is legally compelled to disclose any of the Proprietary Information to such court, agency or authority, then the receiving Party may disclose that portion of the Proprietary Information which the receiving Party's counsel advises the receiving Party, in writing, that it is compelled to disclose. The receiving Party will not oppose any action by the disclosing Party to obtain appropriate relief and /or other reliable assurances that confidential treatment will be accorded to the Proprietary Information disclosed to such court, agency or authority.
- Section 5. The receiving Party acknowledges that providing Proprietary Information hereunder does not constitute or give rise to a representation or warranty to any person as to the accuracy or completeness thereof. The receiving Party agrees that no license, copyright or similar right has been granted by the disclosing Party regarding any of the Proprietary Information.
- Section 6. Neither Party hereto shall disclose that the discussions concerning a possible Transaction have taken place without prior consultation with and consent of the other. In the event a Transaction does not occur between or involving the parties hereto, neither Party will use information obtained as a result of this Agreement to solicit any customer, client or other person coming to the attention of a Party hereto.
- Section 7. No Party shall circumvent or attempt to circumvent any other Party in any manner whatsoever and with the intention or the perceived intention of depriving the other Party of remuneration that would reasonably be expected to be derived from a Transaction.
- Section 8. The spirit of mutual trust and confidence and of fair and equitable treatment of each Party is the underlying principle of this Agreement and shall be of the essence in the interpretation of the terms hereof.

Company: _____

Page 1 of 2

Client: 

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Proprietary and Confidential

CONFIDENTIAL

Warpath-Valuation-000007

MUTUAL NON-CIRCUMVENTION, NON DISCLOSURE AND CONFIDENTIALITY AGREEMENT

- Section 9. This Agreement shall not create a partnership, joint venture or agency or any other business relationship that could reasonably be perceived as authorizing one Party to act in the name or on behalf of or to have any right to the assets, business interests or property of or to create any obligations on the part of any other Party, save in respect of the obligations contained herein.
- Section 10. A.) Any notice or notices to be given hereunder shall be sent to the parties at the addresses each Party may specify, from time to time, in writing, and such notice shall be deemed to be received when delivered by private courier or similar service, or seven days after having been deposited into the postal system of the country where mailed, registered or certified with return receipt requested, properly addressed and postage paid.
- B.) In the alternative, notice may be given by facsimile transmission to a facsimile machine at a telephone number to be given, from time to time, by the parties, and such notices delivered in such manner shall be deemed to have been properly delivered upon dispatch, provide that a written confirmation of such dispatch is produced by the sending facsimile machine.
- Section 11. This Agreement cannot be changed or terminated orally.
- Section 12. This Agreement may not be assigned in whole or in part.
- Section 13. The parties to this Agreement have not made any other representations or promises other than as provided herein.
- Section 14. If any provision of this Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to the other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.
- Section 15. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach thereof, and which is not settled by the signatories themselves, shall be settled by arbitration, with proceedings to take place in the injured parties' jurisdiction; and judgment on the award rendered by the arbitrator(s) may be entered in any court having competent jurisdiction thereof, including the award to the aggrieved signatory, receiving any remuneration in addition to all court costs, attorneys' fees and other charges deemed fair by the arbitrator(s). Notwithstanding the foregoing, any Party may seek injunctive or other preliminary relief from any court having jurisdiction in the injured Party's jurisdiction in the event of any breach or threatened breach of any of the provisions hereof, without waiving any Party's right or obligations to submit to arbitration.
- Section 16. The obligations under this Agreement will continue in effect from the date hereof through 2012. This Agreement (a) constitutes the entire agreement of the parties with respect of the subject matter hereof and supersedes all prior or contemporaneous oral or written agreements, negotiations or representations concerning such subject matter (none of which prior or contemporaneous matters shall be binding on the parties); (b) shall be governed by the laws in the jurisdiction of the injured Party without regard to its conflict or law's provisions; (c) may only be amended by a writing executed by both parties and dated after the date hereof; and (d) shall inure to the benefit of the parties hereto and their respective successors and assigns, and the obligations under which shall be binding upon the parties and their respective affiliates and associates, but shall not be assigned or delegated to any other person.
- Section 17. This Agreement is valid for any and all transactions between the parties herein.
- Section 18. Faxed documents shall be construed as original documents for all purposes.

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

ACCEPTED AND AGREED:

Client:

Warpath Development, Inc.

By: Rick Thoenes

Date: 3-31-09

Printed: Rick Thoenes

Fax to: 864-232-5504

Title: ISA

E-mail to: Rick@The-Marcus.Net

INTERNATIONAL BUSINESS EQUITY SOLUTIONS, LLC:

By: _____

Date: _____

Printed: _____

Fax to: _____

Title: ISA

E-mail to: _____

WARPATH DEVELOPMENT, INC.

Warpath Development, Inc. is requesting a \$28,000,000 Loan.

This will require a \$2,800,000 SLOC.

3 year term. Convertible to a 20 year term at the end of 3 years.



Letter of Interest

April 15, 2009

Project No.: TCT/WDI-090415

* Our signatures below acknowledge that these are the business terms upon which this transaction will be completed. However, the terms of this Letter of Interest (LOI) are subject to due diligence, and receipt by The Cambridge Trust (TCT) of all required documentation. By signing and dating below, TCT will endeavor to close this transaction within 120 days of the date of your acceptance of these business terms. The terms of this LOI will expire in forty-five (45) days unless extended by mutual consent.

* When used herein, the terms TCT and Client shall refer to TCT and the Client and their respective successors and/or assigns.

Client: WARPATH DEVELOPMENT, INC., 68 Pointe Circle, Suite 2102, Greenville, SC 29615

Project Type: Development & Construction of Resort and Marina on 63 acres on Lake Keowee, SC

Total Funding: \$28,000,000

Distribution Term: Thirty-Six (36) months

Product: Flex Term – FLEX-36

Offer Expiration Date: May 30, 2009

SBLC & Management Term: Client to supply a SBLC in the amount of Two Million Eight Hundred Thousand United States Dollars (\$2,800,000 USD), which TCT will manage for a minimum term of thirty-six (36) months.

Funding: TCT will commence project funding on or before July 1, 2009 and monthly thereafter in accordance with the approved funding draw-down schedule until fully funded only if said SBLC is received and accepted by the TCT SBLC receiving bank no later than May 1, 2009. Otherwise, project funding will commence on or before August 1, 2009.

Interest: No interest on the loan will accrue during the Management Term.

Repayment Terms: Long term financing up to twenty (20) years at a rate of prime plus 2.0%

Client acknowledgments:

1. This Letter of Interest is intended as an outline only and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions that will be contained in definitive legal documentation for any financing. Conditions to funding include, but are not limited to: (a) Satisfactory financial, engineering, tax, insurance, environmental, permitting, title, zoning and market reviews, (b) Review and approval of the business plan for the project, (c) Review and approval of the project budget and marketing and sales plans, (d) Satisfactory title insurance provided by mutually agreeable insurer, (e) Client agreeing to Flex Term Funding Agreement between TCT and all owners and (f) Documentation of the loan consistent with customary practices in connection with loans of this nature.
2. Each financing draw will be subject to, among other things, approval by TCT on the applicable phase transaction (which approval shall be given or withheld in TCT's sole discretion), due diligence and the negotiation and execution of definitive loan documents. Client agrees to provide TCT with all comments (if any) to the draft funding agreement within 14 days of the execution of this LOI by Client. The terms of this offer will expire if such comments are not provided with 14 days of the execution of this LOI by Client.
3. Client shall provide and adhere to a budget, acceptable to TCT in its sole and absolute discretion, for the project (the "Project Budget"). The Project Budget shall include, but not be limited to, projected amounts and timetable for hard cost/soft cost expenditures in connection with horizontal site improvements, lots, dwelling, unit renovation, sales and marketing.
4. TCT's approval of the loan is contingent upon TCT completing, to its sole and absolute satisfaction, all necessary due diligence with respect to the proposed loan. Client shall fully cooperate with TCT with respect to TCT's performance of due diligence and its underwriting of the loan throughout the entire funding term.
5. During the loan term, the Client shall be prohibited from procuring any additional subordinate financing, secured or unsecured, without TCT's prior written consent.

INTERNATIONAL BUSINESS EQUITY SOLUTIONS, LLC

CLIENT:

WARPATH DEVELOPMENT, INC.

By: _____

Michael Murphy, Vice President of IBES, LLC
for THE CAMBRIDGE TRUST

By: _____

Name: Rick Thoennes, Treasurer
Project Name: WARPATH LANDING

28202 Cabot Road • Suite 225
Laguna Niguel • CA 92677
P 949.365.5890 • F 877.222.5845
www.ibesnow.com

Page 1 of 1

CONFIDENTIAL Warpath-Valuation-000010

WARPATH DEVELOPMENT, INC.

To: The Cambridge Trust

51 West Elliot Road

Suite 103

Tempe, AZ 85284

Re: Request for project funding

Dear Tony,

This letter shall confirm our intent to enter into a contract where our firm shall provide a standby letter of credit to The Cambridge Trust, as beneficiary, in exchange for funding for Warpath Landing at Lake Keowee.

Attached, please find confirmation of the availability of the financial capacity to enter into this contract in the form of a statement of account.

Upon receipt of your acceptance of the LOI, we are prepared to execute a contract and then issue the SBLC.

I confirm that I have the authority to bind our company to enter into this contract.

Sincerely,

Rick Thoennes

Authorized representative

Warpath Development, Inc.

Warpath Landing

Draw 1	3,575,000	136,425,000	3,575,000
Draw 2	540,000	135,885,000	4,115,000
Draw 3	540,000	135,345,000	4,655,000
Draw 4	540,000	134,805,000	5,195,000
Draw 5	540,000	134,265,000	5,735,000
Draw 6	540,000	133,725,000	6,275,000
Draw 7	540,000	133,185,000	6,815,000
Draw 8	540,000	132,645,000	7,355,000
Draw 9	540,000	132,105,000	7,895,000
Draw 10	1,000,000	131,105,000	8,895,000
Draw 11	1,000,000	130,105,000	9,895,000
Draw 12	1,000,000	129,105,000	10,895,000
Draw 13	1,000,000	128,105,000	11,895,000
Draw 14	1,000,000	127,105,000	12,895,000
Draw 15	1,000,000	126,105,000	13,895,000
Draw 16	1,000,000	125,105,000	14,895,000
Draw 17	1,000,000	124,105,000	15,895,000
Draw 18	1,000,000	123,105,000	16,895,000
Draw 19	1,000,000	122,105,000	17,895,000
Draw 20	1,000,000	121,105,000	18,895,000
Draw 21	1,000,000	120,105,000	19,895,000
Draw 22	540,000	119,565,000	20,435,000
Draw 23	540,000	119,025,000	20,975,000
Draw 24	540,000	118,485,000	21,515,000
Draw 25	540,000	117,945,000	22,055,000
Draw 26	540,000	117,405,000	22,595,000
Draw 27	540,000	116,865,000	23,135,000
Draw 28	540,000	116,325,000	23,675,000
Draw 29	540,000	115,785,000	24,215,000
Draw 30	540,000	115,245,000	24,755,000
Draw 31	540,000	114,705,000	25,295,000
Draw 32	540,000	114,165,000	25,835,000
Draw 33	540,000	113,625,000	26,375,000
Draw 34	540,000	113,085,000	26,915,000
Draw 35	540,000	112,545,000	27,455,000
Draw 36	545,000	112,000,000	28,000,000
Total draws	28,000,000		
Remaining balance		0	
Loan amount :	28,000,000		

Warpath Landing

Month	Land lease & purchase	Hard costs	Soft costs	Sales and mkt. costs	Total
1	1,500,000	0	2,000,000	3,000	3,503,000
2	0	100,000	150,000	3,000	253,000
3	0	100,000	150,000	3,000	253,000
4	0	500,000	150,000	8,000	658,000
5	0	500,000	150,000	8,000	658,000
6	0	500,000	150,000	8,000	658,000
7	0	500,000	150,000	8,000	658,000
8	0	500,000	150,000	8,000	658,000
9	0	1,000,000	150,000	8,000	1,158,000
10	0	1,000,000	150,000	8,000	1,158,000
11	0	1,000,000	150,000	8,000	1,158,000
12	0	1,000,000	150,000	8,000	1,158,000
13	0	1,000,000	150,000	8,000	1,158,000
14	0	1,000,000	150,000	8,000	1,158,000
15	0	1,000,000	150,000	8,000	1,158,000
16	0	1,000,000	150,000	8,000	1,158,000
17	0	1,000,000	150,000	4,000	1,154,000
18	0	1,000,000	150,000	4,000	1,154,000
19	0	1,000,000	150,000	4,000	1,154,000
20	0	1,000,000	150,000	4,000	1,154,000
21	0	1,000,000	150,000	4,000	1,154,000
22	0	1,000,000	150,000	4,000	1,154,000
23	0	1,000,000	150,000	10,000	1,160,000
24	0	1,000,000	150,000	10,000	1,160,000
25	0	1,000,000	150,000	10,000	1,160,000
26	0	1,000,000	150,000	10,000	1,160,000
27	0	1,000,000	150,000	10,000	1,160,000
28	0	1,000,000	150,000	10,000	1,160,000
29	0	1,000,000	150,000	10,000	1,160,000
30	0	500,000	150,000	10,000	660,000
31	0	500,000	150,000	15,000	665,000
32	0	300,000	75,000	18,000	393,000
Total Spent	1,500,000	25,000,000	6,575,000	250,000	33,325,000
Budget	1,500,000	25,000,000	6,575,000	250,000	33,325,000
Difference	0	0	0	0	0

Jan 2009

Global

Projects

PROJECT NAME

PROJECT #

BRIEF DESCRIPTION (2 or 3 Lines Max)

FUNDING REQUIREMENTS (USD)

1 The Rembrey at Lake Keowee

TBD

270 residential/multi on Lake Keowee, SC with docks & clubhouses
Hotel (200 rooms)/residence (100)/rental (150)/100,000 ft office.
High rise in downtown Greenville, SC

\$177,375,000

2 The Gateway

TBD

\$219,475,000

3 Warpath

TBD

\$33,325,000

Conference center & marina. 120 room lodge, 200 dry stack, 104 docks, 2 restaurants, marina store, cabins & rv on Lake Keowee, SC

Rembrey Keowee creates 300 construction jobs and 50 permanent jobs

Gateway creates 400 construction and 250 permanent jobs

Wartpath creates 100 construction jobs and 50 permanent

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Warpath-Valuation-000016

Date/Time Period	Land	Hard Costs	Soft Costs	Total	Balance Remaining
Total Funding	2,000,000	24,000,000	3,580,000	29,580,000	29,580,000
Initial draw of 25%	2,000,000	3,540,000	1,500,000	7,040,000	22,540,000
3 months	0	1,500,000	220,000	1,720,000	20,820,000
6 months	0	2,000,000	300,000	2,300,000	18,520,000
9 months	0	3,000,000	300,000	3,300,000	15,220,000
12 months	0	3,000,000	300,000	3,300,000	11,920,000
15 months	0	3,000,000	285,000	3,285,000	8,635,000
18 months	0	3,000,000	225,000	3,225,000	5,410,000
21 months	0	2,960,000	225,000	3,185,000	2,225,000
24 months	0	2,000,000	225,000	2,225,000	0
Total drawn	2,000,000	24,000,000	3,580,000	29,580,000	

Warpath Landing Resort and Marina Draw Schedule

Date/Time Period	Land	Hard Costs	Soft Costs	Total	Balance Remaining
Total Funding	2,000,000	24,000,000	4,160,000	30,160,000	30,160,000
Initial draw of 25%	2,000,000	3,540,000	2,000,000	7,540,000	22,620,000
3 months	0	500,000	200,000	700,000	21,920,000
5 months	0	1,000,000	200,000	1,200,000	20,720,000
7 months	0	2,000,000	200,000	2,200,000	18,520,000
9 months	0	2,000,000	200,000	2,200,000	16,320,000
11 months	0	2,000,000	200,000	2,200,000	14,120,000
13 months	0	2,000,000	225,000	2,225,000	11,895,000
15 months	0	2,000,000	225,000	2,225,000	9,670,000
17 months	0	2,000,000	225,000	2,225,000	7,445,000
19 months	0	2,000,000	200,000	2,200,000	5,245,000
21 months	0	2,000,000	100,000	2,100,000	3,145,000
23 months	0	2,000,000	100,000	2,100,000	1,045,000
24 months	0	960,000	85,000	1,045,000	0
Total drawn	2,000,000	24,000,000	4,160,000	30,160,000	

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Warpath-Valuation-000028



Letter of Interest

April 15, 2009

Project No.: TCT/WDI-090415

* Our signatures below acknowledge that these are the business terms upon which this transaction will be completed. However, the terms of this Letter of Interest (LOI) are subject to due diligence, and receipt by The Cambridge Trust (TCT) of all required documentation. By signing and dating below, TCT will endeavor to close this transaction within 120 days of the date of your acceptance of these business terms. The terms of this LOI will expire in forty-five (45) days unless extended by mutual consent.

* When used herein, the terms TCT and Client shall refer to TCT and the Client and their respective successors and/or assigns.

Client: WARPATH DEVELOPMENT, INC., 68 Pointe Circle, Suite 2102, Greenville, SC 29615

Project Type: Development & Construction of Resort and Marina on 63 acres on Lake Keowee, SC

Total Funding: \$28,000,000

Distribution Term: Thirty-Six (36) months

Product: Flex Term - FLEX-36

Offer Expiration Date: May 30, 2009

SBLC & Management Term: Client to supply a SBLC in the amount of Two Million Eight Hundred Thousand United States Dollars (\$2,800,000 USD), which TCT will manage for a minimum term of thirty-six (36) months.

Funding: TCT will commence project funding on or before August 1, 2009 and monthly thereafter in accordance with the approved funding draw-down schedule until fully funded.

Interest: No interest on the loan will accrue during the Management Term.

Repayment Terms: Long term financing up to twenty (20) years at a rate of prime plus 2.0%

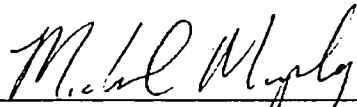
Client acknowledgments:

1. This Letter of Interest is intended as an outline only and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions that will be contained in definitive legal documentation for any financing. Conditions to funding include, but are not limited to: (a) Satisfactory financial, engineering, tax, insurance, environmental, permitting, title, zoning and market reviews, (b) Review and approval of the business plan for the project, (c) Review and approval of the project budget and marketing and sales plans, (d) Satisfactory title insurance provided by mutually agreeable insurer, (e) Client agreeing to Flex Term Funding Agreement between TCT and all owners and (f) Documentation of the loan consistent with customary practices in connection with loans of this nature.
2. Each financing draw will be subject to, among other things, approval by TCT on the applicable phase transaction (which approval shall be given or withheld in TCT's sole discretion), due diligence and the negotiation and execution of definitive loan documents. Client agrees to provide TCT with all comments (if any) to the draft funding agreement within 14 days of the execution of this LOI by Client. The terms of this offer will expire if such comments are not provided with 14 days of the execution of this LOI by Client.
3. Client shall provide and adhere to a budget, acceptable to TCT in its sole and absolute discretion, for the project (the "Project Budget"). The Project Budget shall include, but not be limited to, projected amounts and timetable for hard cost/soft cost expenditures in connection with horizontal site improvements, lots, dwelling, unit renovation, sales and marketing.
4. TCT's approval of the loan is contingent upon TCT completing, to its sole and absolute satisfaction, all necessary due diligence with respect to the proposed loan. Client shall fully cooperate with TCT with respect to TCT's performance of due diligence and its underwriting of the loan throughout the entire funding term.
5. During the loan term, the Client shall be prohibited from procuring any additional subordinate financing, secured or unsecured, without TCT's prior written consent.

CLIENT:

INTERNATIONAL BUSINESS EQUITY SOLUTIONS, LLC

WARPATH DEVELOPMENT, INC.

By: 

Michael Murphy, Vice President of IBES, LLC
for THE CAMBRIDGE TRUST

By: _____

Name: Rick Thoennes, Treasurer
Project Name: WARPATH LANDING

28202 Cabot Road • Suite 225
Laguna Niguel • CA 92677
P 949.365.5890 • F 877.222.5845
www.ibesnow.com

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CONFIDENTIAL Warpath-Valuation-000580

TAB B

1st Ticonderoga
P.O. Box 1105
Bolton Landing, New York 12814
Charles R. Colegrove, President/CBFC
(518) 409-1118

Executive Summary

Please complete this form with as much detail as possible.

PLEASE NOTE: If submitting additional documents, please send via regular or overnight mail to address above.

Project Name: Warpath Landing Lake Resort and Marina **Today's Date:** 11.15.11

1. Critical Dates: Are there any critical dates which must be met for this project, e.g. 1031 exchange, contract expiration dates, bank note due dates? If yes, please explain: The permit that allows for shoreline construction is due to expire on January 27, 2012. It is our intention to begin upland construction (above 50' from lake shore) at closing and having resubmitted the CORE permit, install docks and shoreline erosion control measures upon receiving the new permit.

2. Contact Information: **Broker:** X **Borrower:** _____ **Other (please identify):** _____

Name: Charles R. Colegrove
Title: President
Address: P.O. Box 1105
City: Bolton Landing
Telephone: (518) 409-1118
Email: colegrovenotes@gmail.com

State: NY Zip: 12814

3. Loan Information: **Requested** **Proposed** **Notes**

Loan Type: Construction
Loan Amount: \$27,000,000
Rate: 2.25%
Term/Amortization: 20 years
Monthly Payments: \$139,808
DSC: 1.53
NOI: \$2,566,834
LTV: 73.6%
Appraised Value: \$36,669,050
Cap Rate Used: 7%
Orig. Points to Broker: 4

Fees (e.g. appraisal, EPA, site visit, title work, etc.) \$ 60,000

4. Use of Funds (e.g. purchase, refinanced, refi/cash out, construction, development, operating capital, etc.):
Lease purchase; construction; operating capital; repurchase of 20% of capital for treasury.

Page 2

5. Exit Strategy (if not a self-amortizing loan, how will the balloon be paid at the end of the term?)

Amortizing loan

6. Property Information:

Type of Real Estate and Description (number of units, acreage, square footage, age, condition, etc.):
63 acres; 2 1/2 miles of shoreline; 102 floating docks; 200 boat storage in dry stack; 34 camp & RV
sites; 10 cabins; 9 cottages; 120 room Lodge and Conference Center; 1 free standing restaurant and 1
located in Lodge; 1 marina store

Location: City: Six Mile County: Pickens State: SC
Borrower's Date of Purchase: 5.29.07 Purchase Price \$ 1,150,000
Borrower's cash investment in this property to date: \$ 1,400,000
Borrower's current equity in this property: \$ 1,400,000
Borrower's current debt against this property: \$ 0
Liens or back taxes owed on this property: \$ 0
CURRENT VALUE of this property in its present condition: \$ 6,000,000
Current occupancy percentage: n/a % Owner occupancy percentage: n/a %

Additional comments: The purchase of Warpath Development was to secure the rights to the Duke
Energy lease and not for the physical
property.

7. Purchase Only or Development Transactions:

Sales Price (real estate only) or Projected Cost: \$ _____
Borrower's cash down payment: \$ _____
Seller-held second lien or secondary financing, if applicable \$ _____
Additional comments: _____

8. Additional Collateral:

A. Property Type and Description:

Location: City: _____ County: _____ State: _____
Current Value: \$ _____
First lien balance \$ _____
Second lien balance: \$ _____

B. Property Type and Description:

Location: City: _____ County: _____ State: _____
Current Value: \$ _____
First lien balance \$ _____
Second lien balance: \$ _____

9. Prior Turn Down (if applicable, please explain why financing could not be obtained): New business; hospitality:

10. Joint Venture: If applicable, would you consider giving up a percentage of equity in this project to a joint venture, IF it was necessary to gain approval?

Yes: yes If yes, % willing to relinquish: 20 - 25 % No:

11. Borrower Information (please attach a separate sheet with this information for any additional borrowers):

Individual: Corporation: X LLC: Partnership: Other:

Name: Tim Roberson

Title: President

Address: 335 Blue water Way

City: West Union

State: SC Zip: 29696

Telephone: 864-270-6368

Email: timroberson@warpathlanding.com

Fax:

Personal Credit Scores:

Net Worth: (excluding this project):

\$ n/a

Liquidity:

\$ n/a

Average Monthly Income (last 3 years)

\$ n/a

Borrower's prior experience with this type of project: Partners have over 44 years of development, sales and construction experience.

12. Budget for Subject Property: (Please compute income and expenses. Deduct any debt service and depreciation from expenses. Include any reserves for vacancy or management fees):

	Example	2007	2008	2009	2010 (YTD through <u> </u>)
Gross Income:					
Total Expenses:					
Net Operating Income:					
Avg. Yearly Occupancy:					

13. Availability of Third Party Documentation (please indicate each available item):

Appraisal: _____ MAI: _____ Date completed: _____
Title opinion: _____ Title commitment: _____ Title policy: _____ Date Completed: _____

Environmental reports:

EPA Phase I: Y Date: 2010 EPA Phase II: _____ Date: _____
Asbestos: n/a Date: _____ Lead Paint: n/a Date: _____

Financial Statements (previous three years prepared by third party and YTD internal):

Subject Property: _____ Principals: Y Corporation, LLC or Partnership: Y

14. Anticipated Budget on Subject Property (if new venture, current availability of Proforma statements):

Yes: x No: _____ If no, date proforma will be available: With application

15. Additional Comments: There is only one existing marina on Lake Keowee. It is over thirty years old, has no indoor dining, and is showing its age. With no other private conference or restaurant facilities currently on this 18,000 acre lake, Warpath will provide a strong competitive offering. See Executive Summary below for additional information.

16. Special Circumstances: The property is on leased land. The lease is held by Warpath Development, Inc. and granted by Duke Energy with consent of the Federal Energy Regulation Commission. For all practical purposes the lease is perpetual as it automatically renews with each renewal of the Duke Hydro-electric license which runs in intervals of 30-50 years. In the event that Duke does not receive a new license decades from now, we have the option of requiring Duke to purchase the improvements at the then-current value.

PLEASE NOTE: If submitting additional documents, please send via e-mail.

Development Budget	
Item	Project Costs
Total Land Cost	\$0
Construction Hard Costs	\$22,508,626
Architectural & Engineering	0
Legal (stamps, recording etc.)	0
Financing Costs (points & closing)	1,115,000
Construction Interest	877,500
Corporate Liability Insurance	50,000
Ships store	0
Leasehold purchase	1,500,000
Contingency (Construction & Dev.)	500,000
Overhead and Carrying Costs (2)	0
Marketing	150,000
Reserve for Operation (3)	300,000
Total Development Budget	<u>\$27,001,126</u>
Updated On: 11/14/2011	
(1) Taxes, signage, working capital and appraisals	
(2) Dev. o/h, office exp., market studies and misc. overhead	
(3) Negative cash flow during "rent up"	

1st Ticonderoga

Non-Circumvention, Non-Disclosure and Confidentiality Agreement

THIS AGREEMENT entered into on this 17th day of November, 2011 is for the Professional Association and arrangement of Non-Circumvention, Non-Disclosure and Confidentiality between **1st Ticonderoga** whose office is at **P.O. Box 1105, Bolton Landing, New York 12814**; and **Warpath Development**, and, employees, affiliates and assigns, whose offices is at **War Path Road Six Mile, SC 29682**; hereinafter, called "The Parties". The Parties with this agree to respect the integrity and tangible value of this agreement between them. THIS AGREEMENT is a perpetuating guarantee for five (5) years from the date of execution and is to be applied to any and all transactions present and future, of the introducing party, including subsequent follow-up, repeat, extended, renegotiated, and new transactions regardless of the success of the project.

Because of THIS AGREEMENT, the Parties involved in this transaction may learn from one another, or from principals, the names and telephone numbers of investors, borrowers, lenders, agents, brokers, banks, lending corporations, individuals and/or trusts, or buyers and sellers hereinafter called contacts. The Parties with this acknowledge, accept and agree that the identities of the contacts will be recognized by the other Party as exclusive and valuable contacts of the introducing Party and will remain so for the duration of this agreement.

The Parties agree to keep confidential the names of any contacts introduced or revealed to the other party, and that their firm, company, associates, corporations, joint ventures, partnerships, divisions, subsidiaries, employees, agents, heirs, assigns, designees, or consultants will not contact, deal with, negotiate or participate in any transactions with any of the contacts without first entering a written agreement with the Party who provided such contact unless that Party gives prior written permission.

Such confidentiality will include any names, addresses, telephone, telex, facsimile numbers, and/or other pertinent information disclosed or revealed to either Party.

The Parties agree not to disclose, reveal or make use of any information during discussion or observation regarding methods, concepts, ideas, product/services, or proposed new products or services, nor to do business with any of the revealed contacts without the written consent of the introducing party or parties.

The Parties agree that due to the many variables surrounding each Business Financial Transaction that will occur because of this agreement, the commission to be paid and/or the fee structure between the parties can vary. A separate fee/commission agreement will outline compensation for each Business/Financial Transaction. The fee or commission agreement must be drafted and acknowledged by signature before all Business/Financial Transactions.

In case of circumvention, The Parties agree and guarantee that they will pay the greater of normal customary fees of 3% and \$50,000 per occurrence of legal monetary penalty that is equal to the value of the transaction, including properties, and royalties, and/or commission or fee the circumvented Party should have realized in such transactions, by the person(s) engaged on the circumvention for each occurrence. If either party commences legal proceedings to interpret or enforce the terms of THIS AGREEMENT, the prevailing Party will be entitled to recover court costs and attorney fees, as the court deems reasonable and just.

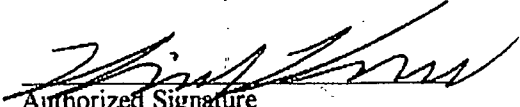
The parties will construe THIS AGREEMENT in accordance with the laws of the State of New York, County of Warren. If any provision of this agreement is found to be void by any court of competent jurisdiction, the remaining provisions will remain in full force and effect.

THIS AGREEMENT contains the entire understanding between the Parties and any waiver, amendment or modification to THIS AGREEMENT will be subject to the above conditions and must be attached hereto. Upon execution of THIS AGREEMENT by signature below, the Parties agree that any individual, firm, company, associates, corporations, joint ventures, partnerships, divisions, subsidiaries, employees, agents, heirs, assigns, designees or consultants of which the signee is an agent, officer, heir, successor, assign or designee is bound by the terms of THIS AGREEMENT.

A facsimile and/or electronic mail copy of this Non-Circumvention, Non-Disclosure and Confidentiality Agreement shall constitute a legal and binding instrument. By setting forth my hand below I warrant that I have complete authority to enter into THIS AGREEMENT.

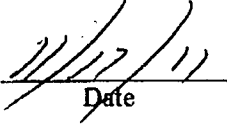
For: 1st Ticonderoga

1st Ticonderoga, Authorized Agent



Authorized Signature
Warpath Development
Frederick R. Thoennes, Jr.

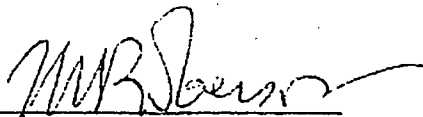
Date



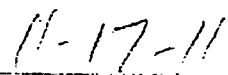
Date

Authorized Signature
Warpath Development
Frederick R. Thoennes, III
Page 2 of 2

Date



Authorized Signature
Warpath Development
Timothy W. Roberson
Page 3 of 3



Date

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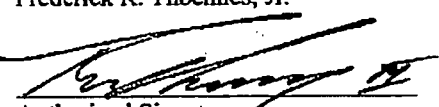
For: 1st Ticonderoga

1st Ticonderoga, Authorized Agent

Date

Authorized Signature
Warpath Development
Frederick R. Thoennes, Jr.

Date



Authorized Signature
Warpath Development
Frederick R. Thoennes, III
Page 2 of 2

11/17/11

Date

COMMERCIAL FUNDING SOLUTIONS

Non-Circumvention, Non-Disclosure and Confidentiality Agreement

Whereas the Undersigned Parties wish to enter into this agreement to define certain parameters of their future legal obligations, and considering their mutual promise herein and other good and valuable considerations the receipt of which is acknowledged hereby, the Parties hereto mutually and voluntarily agree as follows:

1. The parties hereto and/or their affiliates of what-so-ever nature shall not, in any manner solicit and/or accept any business from sources that have been made available by and through the parties hereto, nor in any manner shall access, contact solicit and/or conduct any transaction with such said sources, without the expressed and specific permission of the party who made such said sources available.

The Parties shall maintain complete confidentiality regarding each other's business and/or their affiliates and shall only disclose knowledge pertaining to these specifically named Parties as permitted by the concerned Party, unless agreed and granted an expressed written permission of and by the Party whom made the source available.

2. The Parties shall not in any way whatsoever circumvent each other and/or attempt such circumvention of each other and/or any of the parties involved in any of the transactions the Parties wish to enter and to the best of their abilities shall ensure that the original documentation, data and proprietary information established are not altered.

3. The Parties shall not disclose any contact revealed by either Party to any third Parties as they fully recognized such information and contract(s) of the respective Party, and shall not enter into direct and/or indirect offers, negotiations and/or transaction with such contacts revealed by the other Party who made the contact(s) available.

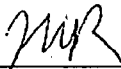
4. In the event of circumvention by any of the undersigned Parties, whether direct and/or indirect, the circumvented Party shall be entitled to a legal monetary compensation equal to the maximum service it should realize from such a transaction, plus any and all expenses, including any and all legal fees incurred in lieu of the recovery of such compensation.

5. All considerations, benefits, bonuses, participation, fees, and/or commissions received as a result of the contributions of the Parties to this agreement, relating to any and all transactions shall be allocated and distributed as mutually agreed. Specific arrangements, for each transaction shall be made available and/or submitted to the recipient on the very day due and payable as per each and every transaction, unless otherwise agreed.

6. This agreement is a perpetuating guarantee for five (5) years from the date of execution and is to be applied to any and all transactions present and future, of the introducing party, including subsequent follow-up, repeat, extended, renegotiated, and new transactions regardless of the success of the project.

PARTICIPANTS INITIALS:

1)



2)

CONFIDENTIAL

Warpath-Valuation-000052

7. It is further agreed that any controversy, claims, and or dispute arising out of and/or relating to any part of the whole of this agreement or breach thereof and which is not settled between the signatories themselves, shall be settled and binding by and through arbitration in accordance with the rules and laws of the State South Carolina, County of Greenville. If any provision of this agreement is found to be void by any court of competent jurisdiction, the remaining provisions will remain in full force and effect. Any decision and/or award made by the arbitrators shall be final, conclusive and binding for the Parties and enforceable in the Court of Law of the United States.

8. This Agreement shall be binding upon the Parties hereto and in the case of individual parties, their respective heirs, administrators and executors and in the case of all corporate Parties, their successors and assigns:

- a) The non-circumvention damages, i.e., the total commissions, fees, or profits which would have been due, and;
- b) All loss sustained by the non defaulting party by reason of such breach, and;
- c) All expenses incurred in enforcing any legal remedy rights based upon or arising out of this Agreement.

9. This Agreement shall be binding upon the Parties hereto and in the case of individual parties, their respective heirs, administrators, and executors, and in the case of all corporate parties, their successors and assigns.

10. Signature of this agreement shall be deemed to be an executed agreement enforceable and admissible for all purposes as may be necessary under the terms of this agreement.

11. All signatories hereto acknowledge that they have read and each Party fully understands the terms and conditions contained in this Agreement, and by their initials and signature hereby unconditionally agree to its terms as of the date noted herein.

12. The purpose of this instrument is to establish an internationally recognized Non-Circumvention, Non-Disclosure, and Confidentiality Agreement between the participating Parties.

This agreement may be signed in one or more counterparts and the Parties agree that facsimile copies of this Agreement to be considered as a legal original and signatures thereon shall be legal and binding.

<u>Tim Roberson</u>	_____ Signature
<u>Tim Roberson</u>	_____ Printed Name
<u>Warpath Development Inc</u>	_____ Company Name
<u>335 Blue Water Way</u>	_____ Street Address
<u>West Union, SC 29696</u>	_____ City, State, Zip
<u>864-270-6368</u>	_____ Telephone
<u>timroberson@warpathlandings.com</u>	_____ E-mail Address
<u>11-15-11</u>	_____ Date

Slip & Cabin Profile				
Type of Slip	# of Slips & Cabins	Monthly Rent	Total Monthly Rent	Total Annual Rent
25'-wet	0	0	0	0
30'-wet	102	370	37,740	452,880
40'-wet	0	0	0	0
100'-wet	0	0	0	0
25'-dry	100	295	29,500	354,000
30'-dry	100	345	34,500	414,000
35'-dry	0	0	0	0
2 bedroom cabin	8	3,200	25,600	307,200
3 bedroom cabin	2	4,000	8,000	96,000
Totals	312	\$434	\$135,340	\$1,624,080
	(Total)	(Average)	(Total)	(Total)
Updated On: 11/14/11				

Other Income

Income Source	Monthly	Annual
Boat rental	3,333	40,000
Cabins	0	0
Cottages	26,585	319,020
Dump fees	0	0
Fuel services profit	20,000	240,000
Hotel-50% vac.	58,552	702,625
Lodge restaurant	10,400	124,800
Marina restaurant	12,000	144,000
Marine repair	5,000	60,000
RV/tent park-60% vac.	17,109	205,313
Ship store profit	2,500	30,000
Storage fees	0	0
	0	0
	0	0
Totals	155,480	1,865,758

CONFIDENTIAL

Warpath-Valuation-000054

Proforma Income and Expense (Stabilized)		
Item	Annually	%
<u>Income:</u>		
Gross Rental Income	\$1,624,080	
Less 5% Vacancy	<u>182,004</u>	
Effective Gross Income	\$1,442,076	
Other Income	<u>1,757,758</u>	
Total Revenue	\$3,199,834	100%
<u>Expenses:</u>		
Rental	0	0%
Marketing	45,000	1%
Payroll	265,000	8%
Management Fees	0	0%
Utilities	70,000	2%
Maintenance and Replacement	65,000	2%
Property Taxes	93,000	3%
Insurance	<u>95,000</u>	<u>3%</u>
Total Expenses	\$633,000	20%
	<u>\$2,566,834</u>	<u>80%</u>
Updated On: 11/14/2011		



WARPATH LANDING

Resort and Marina

Warpath Landing is the first cooperative development between Duke Energy and a private developer. The intent is to create a first class facility on Lake Keowee that is open for the general public to enjoy. This facility will provide lake recreational facilities unparalleled in the upstate of South Carolina. Warpath is located in Pickens County, SC on Lake Keowee. The property has over 2 miles of lake front access.

Within the 68 acres will be wet slips, dry stack storage, RV sites, tent sites, fueling facilities, restaurants, marina store, swimming pool, fishing sanctuaries, boat ramp, lodging, boat rentals cabins, pavilions and many more user friendly recreational facilities.

There are few facilities on the lake and most are over 30 years old and in need of major renovation. Warpath is located in the middle of the lake which makes it accessible to anyone on the lake. The lake is always kept at high water levels by law.

Duke Energy has signed a perpetual lease that has no expiration date. The only stipulation is that Duke Energy continues to produce energy on the lake. If at any time that right is rescinded then Duke Energy is contractually obligated to purchase any improvements that have been made to the property including buildings and site work.

It has taken almost 7 years to procure all of the necessary permits and documents necessary to develop Warpath. All permits have now been approved and issued including over 14 agencies (i.e. FERC, U.S. Corp of Engineers, DHEC, SCDNR, Pickens County and others).

We have attached a site plan to show all aspects of Warpath and where the individual facilities are located. Warpath is located in the Foothills of the Blue Ridge Mountains and within driving distance of Atlanta, GA; Charlotte, NC; Asheville, NC; Columbia, SC and Charleston, SC.

We trust that you will be able to enjoy our vision with us and be a part of the newest and most likely last marina and resort to be developed on the lake.

20% financing deposit should be secured from Duke Energy (ongoing negotiations) and the partners.

Tim Roberson, President
Warpath Development, Inc.
335 Blue Water Way
West Union, SC 29696

www.WarpathLanding.com
timroberson@WarpathLanding.com
864-270-6368

TAB C



Rick Thoennes
414 Lodgewood Trail
Greer, SC 29651
ricksr@warpathlanding.com
864-444-3331

Executive Summary

August 8, 2012

To: The Shakespeare Foundation
4 Palm Valley
Southampton, WKO1, Bermuda,
Attn: Mr. Robert Shakespeare
Tel No: (441) 238-3951
e-mail: robssmi04@gmail.com

I am hereby applying for the funding for my project known as Warpath Landing, Located in the City of Six Mile, SC, USA. The project is a Marina & lodging development. **This development will create over 350 construction jobs (2 years) and 150 permanent jobs. It will also create 50 ancillary jobs in the area.**

I understand that once Robert Shakespeare of Shakespeare Foundation has received the required documentation needed in order to receive an approval or a cancellation for my project funding, I will receive a letter through e-mail issued by Mr. Shakespeare. This approval or cancellation will be determined by a committee of Mr. Shakespeare, The Shakespeare Foundation and their affiliates.

Following is the amount being requested:

Land Acquisition: \$2,000,000 (lease)
Land Development: \$3,000,000
Construction of Commercial: \$24,000,000
Administrative/Management (2%): \$580,000
Total: \$29,580,000

The contact information for my Attorney is as follows:

Name: Wally Fayssoux

Address: 209 E. Washington St., Greenville, SC 29601

Telephone Number: 864-233-0405

Fax Number: 864-233-4781

E-mail address: wally@fayssouxlaw.com

Please advise me upon your final determination of the potential of funding my project.

Nestled amidst a backdrop of the Blue Ridge Mountains and 63 wooded acres on gorgeous Lake Keowee, we will create South Carolina's first and only luxury family lake resort, marina and conference facility. Warpath Landing Lake Resort and Marina is located conveniently on Lake Keowee, just miles from Six Mile, South Carolina, and less than an hour from downtown, Greenville, SC. Warpath features two and one half miles of shoreline with 20 beautiful beaches accessible by boat or land.

Warpath Landing is being developed as an enhancement to public recreation opportunities required under the FERC hydroelectric license. The plan will become a reality through a collaborative arrangement established between Duke Energy, Pickens County and Warpath Development, Inc.

This development will directly generate in excess of \$7,000,000 per year for the Pickens Oconee area. In addition there will be an additional residual amount that is spent in the 2 counties that is generated thru boating, lodging, restaurants and camping. The tax base for Pickens County will also be increased by more than \$30,000,000.

We anticipate the marina operation will employ 30, the restaurants 60, the lodging 50 and the camping, rv & cottages 10. This will add 150 permanent jobs to the area when completed.

Construction jobs will reach a maximum of approximately 300 over a 1-1/2 year period.

Marina

The marina will be home to the Upstate's first dry stack building with 200 dry slips available. It will provide a state of the art wet slip facility that over 100 boats will call home. The marina will also include "The Sunset Grille" for patrons to enjoy a snack or the finest cuisine while taking in views of the lake, the marina and the Blue Ridge Mountains. We will offer three dining experiences...fully enclosed year round for comfort; partially closed for seasonal enjoyment; or the largest patio on the lake with an outdoor chef's grilling area for those special occasions. Indoor and outdoor fireplaces will make for year round comfort and joy. The marina store will be fully stocked and equipped to handle all of an individuals lake needs.

Camping and RV

Whether one enjoys sleeping under the stars or from the comfort of an RV...Warpath Landing will have it covered. RV sites provide both beautiful vistas and state of the art hook ups. The 10 cabins will feature a small kitchen, sleeping area and living room. The 19 cottages will be large enough for families to vacation in, including multiple bedrooms, kitchen, dining and living room.

Lodge

The lodge will feature 120 guest suites, all with amazing views of Lake Keowee and the Blue Ridge Mountains. The lodge will offer unsurpassed luxury, a state-of-the-art conference center, upscale restaurant, pool, gym, banquet facilities, event services for weddings or reunions and so much more.

Signed electronically

Rick Thoennes, President
Warpath Development, Inc.

Date 8-8-12



April 11, 2012

Mr. Robert Shakespeare
4 Palm Valley
Southampton, WKO1, Bermuda

Dear Mr. Shakespeare,

I would like to present my repayment options for your consideration and discussion to move forward to contract and funding of my projects. This for Warpath Landing Resort and Marina in Six Mile, SC. I have sent the letter of request, executive summary, draw schedule and full business plan previously.

If the funding is to be a loan, I would recommend, as my project is a development with construction, that a construction loan be made for the period of 36 months with a negotiated interest added to the loan and that in 36 months, the construction loan plus interest be converted to a long term loan for twenty to twenty-five years. I would think the re-payment would be from the income produced on my project and paid to you monthly, principal and interest.

If the funds for my project are to be in the form of an investment, I would recommend that upon the construction being completed and the project then being in an income producing status, that as an investment you would receive a portion of the annual profits (to be mutually agreed upon) paid out to you on a quarterly disbursement schedule or a bi-yearly payout and that this payment, based on the profits, continue until the property is sold or a fixed time is set allowing me to refinance and pay you in full the percent of profits agreed upon.

In the event you were to make this a grant, I would recommend that you make the grant from the foundation, pay a negotiated amount of the grant monies to yourself or a corporation of yours as a consulting fee and that the grant then become a tax write-off for your foundation.

If the debt is to be an investment or a loan, it could be secured by a note and deed (trust deed, warranty deed, UCC-1 filing, or mortgage deed) or whichever type of deed would be acceptable to you and to the title company in the jurisdiction that the project is in.

Please review the options and advise me of your thoughts.

Kindest regards,

Rick Thoennes
Greenville Gateway Developers, LLC

ricksr@warpathlanding.com
864.444.3331



WARPATH LANDING

Resort and Marina

Nestled amidst a backdrop of the Blue Ridge Mountains and 63 wooded acres on gorgeous Lake Keowee, we will create South Carolina's first and only luxury family lake resort, marina and conference facility. Warpath Landing Lake Resort and Marina is located conveniently on Lake Keowee, just miles from Six Mile, South Carolina, and less than an hour from downtown, Greenville, SC. Warpath features two and one half miles of shoreline with 20 beautiful beaches accessible by boat or land.

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Warpath Proforma Income and Expense (Stabilized)		
Item	Annually	%
<u>Income:</u>		
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Less 5% Vacancy	<u>182,004</u>	
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<u>Expenses:</u>		
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Payroll	265,000	8%
Management Fees	0	0%
Utilities	70,000	2%
Maintenance and Replacement	65,000	2%
Property Taxes	93,000	3%
Insurance	<u>95,000</u>	<u>3%</u>
Total Expenses	\$633,000	20%
	<u>\$2,566,834</u>	<u>80%</u>

TAB D

DAKOTA HOLDINGS LLC

December 11, 2012 New terms as of 12/18/12

Project: WARPATH LANDING

Conditional Loan Commitment

Re: Conditional Loan Commitment to provide capital for the development of a mixed use project, secured by a stock in Pickens County SC. area, to be more accurately described by legal description in the preliminary title policy or appraisal.

Gentlemen;

Based on the information submitted to date on your behalf, this letter is to confirm that DAKOTA HOLDINGS, LLC ("Investor") and/or assignees intends to provide capital for debt and equity to ("Sponsors") Warpath Development Inc. to be secured by stock on approximately 63 leased acres under the following terms and conditions:

Amount:	\$24 mil (\$14.4 mil debt and \$9.6 mil equity) Potentially in phases
Interest Rate:	11 % Preferred on equity 8% on debt (Preferred interest deferred 1-3 yrs)
Amortization	N/A
Points	3 (Now 6 points, but includes broker's fee)
Terms	5 year
Equity Split	60/40 DH (55/45) until paid back then 50/50 with buy/sell
Closing	30 after all required documentation or 60 days total

Representations & Warranties

Usual and Customary representations and warranties for transaction including but not limited to the following:

- N/A
- Absence of litigation or any existing or pending adverse decree orders from a court or an environmental agency.

Conditions Precedent:

The closing and funding of the credit facility shall be subject to normal and customary conditions precedent including but not limited to the following:

- N/A
- N/A
- Negotiations and excursion of a comprehensive loan agreement and collateral documents, satisfactory to DAKOTA HOLDINGS, LLC and Sponsors.

Title Insurance

Investor shall have the right to approve, in its sole and absolute discretion, the preliminary title report on the property. Investor shall have the right to approve any exceptions to title contained in said policy.

Appraisal:

Approval by Investor, in its sole and absolute discretion, of an appraisal or review appraisal of the property completed within thirty (30) days prior to funding of the loan. (The appraisal will be part of the buyout of an existing 20% shareholder. Costs associated with that will be funded as company's business. Investor has the right to decline funding if the cost are higher than normally expected.

Taxes:

Payment of any outstanding property taxes or assessments affecting the property.

Project WARPATL LANDING

Letter of Intent

December 11, 2012

Performance Covenants:

- Standard reporting requirements
- N/A
- N/A
- N/A
- N/A
- N/A

Underwriting Fees: Sponsors to prepay expenses related to the underwriting of the loan application, including but not limited to appraisal, review and site inspection. (Not appraisal)

Commitment Fees: Sponsors to pay loan commitment fee of \$ 28,500.00 in certified funds to be submitted with the accepted and executed copy of this conditional commitment. This fee is fully refundable less expenses related to underwriting and due diligence if investor does not fund under the terms of this commitment or on terms acceptable to sponsors. If sponsors chooses not to proceed under the terms and conditions stated herein, this commitment fee shall not be refundable.

Broker Fees: Sponsors shall hold harmless and indemnify Investor from any and all claims of brokers or other claims of commission or fees on the account of the issuance of this conditional loan commitment or of the funding of the loan.

Funding: Investor reserves the right to sell or transfer its entire interest or participating interest or interests in this commitment.

Acceptance: Acceptance of this Conditional Commitment by Sponsor's execution hereof, and the receipt by Investor of the Commitment and underwriting Fees, must be completed by noon, December 13, 2012 or this commitment shall be cancelled at Investor's option.

Expiration: This Conditional Commitment shall be null and void if all terms and conditions to be satisfied by Borrower herein are not met prior to February 13, 2012, unless extended in writing by investor. After said expiration date investor shall be fully and unconditionally released of any and all obligations, claims and liabilities in any way arising from and related to this commitment.

Extension: The commitment expiration date may be extended for a thirty-day period, at Borrower's option upon written notice to investor and payment of an extension fee in the amount of \$5000. Written notice must be received by investor and extension fee paid no later than fifteen days before the commitment expiration date. (Delete paragraph)

Additional Conditions: Investor reserves the right to cancel this commitment and to terminate its obligations hereunder, in its sole and absolute discretion, in the event that any of the following shall occur:

Project: WARPATH LANDING

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1. Insufficiency of title or lack of approval by investor or its counsel of the title or any documents required hereunder to be delivered to investor at or prior to closing of the loan.
2. Failure of sponsors to comply with any of the provisions or conditions applicable to this commitment.
3. No secondary financing will be allowed without investor's consent.
4. No assignment of this commitment will be allowed without investor's consent. In the event that sponsor is a partnership, a transfer shall be deemed an assignment of this commitment which shall require investor's approval.
5. Any change in management for the project shall require investor's written approval.
6. N/A
7. N/A
8. In the event Sponsors or Principals or anyone on behalf of the sponsors makes a misstatement of fact or information that would be material to investor evaluating the request, investor shall not require to close the facility.
9. N/A
10. Sponsor's agrees that should sponsors or any other company, partnership or joint venture in which a significant interest is owned by borrower procure financing or leasing for any purposes within a sixty (60) month period following execution of this Conditional Commitment from any lending institution or investors with whom sponsors was placed in contract with Lender, the same remuneration heretofore provided for shall be paid to investor as additional compensation.
11. This is a preliminary disposition issued to expedite the closing of your funding and subject to final review. It is not commitment to fund. All items must be provided prior to final approval. All documentation must be in original form.

After determining, in its sole and absolute discretion, that everything is in order and all of sponsor's obligation contained therein have been satisfied and no events of default have occurred, investor will disburse the proceeds of the funding in accordance with the terms set out herein.

14350 N Frank Lloyd Wright Blvd. # 17 Scottsdale, AZ 85258 Phone # (480) 235-2102

Project: WARPATH LANDING

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Please indicate your acceptance by signing and returning this letter together with the Commitment Fee on or before the Commitment Acceptance Date specified herein. This letter sets forth the complete understanding of investor and sponsor with respect to this matter and supersedes any previous agreements, whether oral or writing. Any changes, amendments or modifications hereto must be made in writing and executed by the parties hereto.

Very truly yours,

By: _____
Corporate Officer

I/WE THE UNDERSIGNED HEREBY ACKNOWLEDGE RECEIPT OF THIS CONDITIONAL COMMITMENT LETTER AND AGREE TO THE TERMS AND CONDITIONS STATE HEREIN.

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2012.

BY: _____
WARPATH DEVELOPMENT INC

EXHIBIT 5

VMG



Vinings Marine Group, LLC

Mr. Brad Seckinger
Warpath Development, Inc.
100 Lakecrest Drive
Greenville, South Carolina 29609

VIA: Federal Express

RE: Warpath Marina Development

Gentlemen,

Please accept this as a firm offer to contribute \$4,500,000 to Warpath Development, Inc. for the development of the leasehold interest corporation has.

VMG is very excited to be involved in the development of what will certainly be the premier lake marina in South Carolina.

It is imperative that the enclosed agreement has all the exhibits attached to it and it is executed in the next 20 business days. I would expect a closing of the transaction on or before October 12, 2012.

If the timetable outline above cannot be met, Vinings will not be interested in participating in the project due to the inability to open for business in the Spring of 2013.

Please respond to this on or before September 10, 2012, or we will assume you have taken a different direction.

Sincerely,

Vinings Marine Group, LLC



Peter D. Anzo, Managing Member

Enclosure

Vinings Marine Group, LLC
2839 Paces Ferry Road • Suite 450 • Atlanta, Georgia 30339
Telephone: 770-984-9500 • Fax: 770-850-0655
www.viningsmarine.com

Offices: Atlanta • North Georgia • Norfolk

CONTRIBUTION AGREEMENT

DATED AS OF _____, 2012

BY AND AMONG

[VININGS MARINE GROUP, LLC],

AND

WARPATH DEVELOPMENT INC.

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Exhibit A	Bringdown Certificate – VMG
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CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT (this "*Agreement*") is made as of _____, 2012, by and among [VININGS MARINE GROUP, LLC], a Georgia limited liability company ("VMG"), and Warpath Development, Inc, a South Carolina Corporation (the "Company"), ("The Shareholders").

RECITALS

The Shareholders own all of the shares and/or economic interest in the Company.

VMG wishes to contribute Four Million, Five Hundred Thousand Dollars and NO/100 Dollars (\$4,500,000.00) to the Company in exchange for a seventy percent (70%) Percentage Interest (as such term is defined in the Amended Agreement) in the Company.

AGREEMENTS

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. For purposes of this Agreement, the following terms have the meanings set forth below.

"*Accounts Receivable*" means all of the Company's accounts receivable, notes receivable, negotiable instruments and chattel paper.

"*Affiliate*" with respect to any Person means any other Person who directly or indirectly Controls, is Controlled by, or is under common Control with such Person including in the case of any Person who is an individual, his or her spouse, any of his or her descendants (lineal or adopted) or ancestors, and any of their spouses.

"*Agreement*" shall have the meaning ascribed to it in the Preamble.

"*Annual Financial Statements*" means the consolidated balance sheets, statements of income and retained earnings, statements of cash flows and notes to financial statements (together with any supplementary information thereto) of the Company as of and for the years ended December 31, 2010 and December 31, 2011.

"*Benefit Plan*" means any pension, retirement, 401(K), bonus, deferred compensation, stock option, severance, salary continuation, vacation, sick leave, fringe benefit, incentive, insurance, welfare or similar plan.

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in the State of Georgia are authorized or obligated to close.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"Claims" means all rights, claims, security interests, encumbrances, liens, options, judgments, pledges, charges, rights of first refusal or first offer, mortgages, and indentures, of every kind and nature whatsoever, and, to the extent applicable, any and all proxies, voting trusts, voting agreements, escrows, transfer and other restrictions and equities, in each case whether arising by agreement, operation of law or otherwise.

"Closing" means the consummation of the transactions contemplated by this Agreement.

"Closing Date" means the date on which the Closing occurs.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract" means any contract, agreement, arrangement, understanding or instrument, whether oral or written.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through ownership of securities, by Contract or otherwise.

"Damages" means all actions, lawsuits, proceedings, hearings, investigations, charges, complaints, Third Party Claims, demands, injunctions, judgments, orders, decrees, rulings, dues, Liabilities, obligations, Taxes, liens, assessments, levies, losses, fines, penalties, damages, costs, fees and expenses, including reasonable attorneys', accountants', investigators', and experts' fees and expenses incurred in investigating or defending any of the foregoing.

"Disclosure Schedule" means the schedules delivered parties concurrently herewith and identified by the parties as a Disclosure Schedule.

"Environmental Claim" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation (written or oral) by any Person alleging potential liability (including potential liability for enforcement, investigation costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based on or resulting from: (1) the presence or Release into the environment of any Hazardous Substance at any location, whether or not owned by the Person; (2) circumstances forming the basis of any violation or alleged violation of any Environmental Law; or (3) any and all claims by any Person seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence or Release of any Hazardous Substances.

"Environmental Laws" means all federal, state or local statutes, laws, rules, ordinances, codes, rule of common law, regulations, judgments and orders in effect on the Closing Date and

relating to protection of human health or the environment (including ambient air, surface water, ground water, drinking water, wildlife, plants, land surface or subsurface strata); including laws and regulations relating to Releases or threatened Releases of Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances.

"Environmental Permits" means all environmental, health and safety permits, licenses, registrations, and governmental approvals and authorizations.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Financial Statements" means, collectively, the Annual Financial Statements and the Interim Financial Statements.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental or Regulatory Authority" means any court, tribunal, arbitrator, authority, agency, bureau, board, commission, department, official or other instrumentality of the United States, any state thereof, any foreign country or any domestic or foreign state, county, city or other political subdivision, and shall include all self regulatory organizations and insurance authorities.

"Hazardous Substances" means: (1) any petroleum or petroleum products, radioactive materials, asbestos in any form, mold, mildew, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing regulated levels of polychlorinated biphenyls (PCBs) and radon gas; and (2) any chemicals, materials or substances which are now or ever have been defined as or included in the definition of "medical wastes," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," or other words of similar import; in all cases as set forth in any Environmental Law.

"Indebtedness" of any Person means all obligations of such Person (1) for borrowed money evidenced by notes, bonds, debentures or similar instruments, (2) for the deferred purchase price of goods or services, other than short term credit in the ordinary course of business and consistent with past practice, (3) under capital leases, and (4) in the nature of guarantees of the obligations described in clauses (1) through (3) above of any other Person.

"Indemnified Party" means, with respect to a particular matter, a Person who is entitled to indemnification from another party hereto pursuant to ARTICLE IX.

"Interim Financial Statements" means the consolidated balance sheets, statements of income and retained earnings and statements of cash flows of the Company, as of and for the _____-month period ended on the Interim Financial Statement Date.

"Interim Financial Statement Date" means _____, 2012.

"IRS" means the Internal Revenue Service.

"Knowledge of the Company" means (a) the actual knowledge of any Shareholder, Officer, Director, or agent and (b) the constructive knowledge of facts, circumstances, events or other matters that any Member could be expected to discover or otherwise become aware of in the normal discharge of their respective assigned duties and responsibilities, or after a reasonable inquiry of any employees of and advisors to the Company who have principal responsibility for the matter in question.

"Law" means any law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law, whether in the United States, any foreign country, or any domestic or foreign state, county, city or other political subdivision or of any Governmental or Regulatory Authority.

"Liabilities" means all Indebtedness, obligations and other liabilities of the Company of any nature whatsoever, whether direct or indirect, matured or unmatured, absolute, accrued, contingent (or based on any contingency), known or unknown, fixed or otherwise, or whether due or to become due.

"Material Adverse Effect" means any event, change, condition or matter that individually or in the aggregate results in or could reasonably be expected to result in a material adverse change in the (1) business, operations (including results of operations), assets, Liabilities, financial condition, properties or prospects of the Company, or (2) the ability of any party hereto to consummate the transactions contemplated hereby.

"Shareholders" means _____.

"Permits" means all licenses, permits, franchises, authorizations, registrations and government approvals other than the Environmental Permits.

"Permitted Liens" means all (1) statutory liens for Taxes not yet due or being contested in good faith and for which there are adequate reserves on the books; (2) statutory liens of landlords, carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due; (3) mortgages, trust deeds, chattel mortgages, security agreements, financing statements or other instruments encumbering any of the assets of the Company, including the Real Property, that have been recorded and filed with the appropriate jurisdiction and which have been disclosed in the Disclosure Schedule; and (4) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, bank, trust company, trust or other entity, whether or not legal entities, or any governmental entity, agency or political subdivision.

"Real Property" means all real property and leases and subleases of, and other interests in real property used by the Company or held by the Company for use in connection with its business, in each case, together with all buildings, fixtures, and improvements erected thereon.

"Related Parties" means (1) Members; (2) the Company's present managers, officers and members; (3) any Affiliates of any of the foregoing; and (4) any Person of which any Member or

the spouse or any lineal descendant or ancestor of any Member is an officer, director, member, partner, trustee, beneficiary or shareholder.

"Release" means any intentional or unintentional release, spill, emission, emptying, leaking, injection, deposit, disposal, discharge, dispersal, dumping, leaching, pumping, pouring, or migration into the environment, atmosphere, soil, surface water, groundwater or property.

"Returns" means all returns, declarations, reports, statements and other documents required to be filed in respect of Taxes.

"Tax" or "Taxes" means all federal, state, local, foreign and other income, sales, use, ad valorem, transfer or other taxes, fees, assessments or charges of any kind, together with any interest and any penalties with respect thereto.

"Third Party Claim" means any action, lawsuit, proceeding, investigation, hearing, or like matter which is asserted or overtly threatened by a Person other than the parties hereto, their successors and permitted assigns, against any Indemnified Party or to which any Indemnified Party is subject.

1.2 Other Defined Terms. Other capitalized terms used in this Agreement which are not defined in this ARTICLE I shall have the meanings contained elsewhere in this Agreement.

1.3 Accounting Principles. The classification, character and amount of all assets, liabilities, capital accounts and reserves and of all items of income and expense to be determined, and any consolidation or other accounting computations to be made, and the interpretation of any definition containing any financial term, pursuant to this Agreement shall be determined and made in accordance with GAAP. All references to "dollars" or "\$" in this Agreement shall mean United States dollars.

1.4 Construction. Unless the context of this Agreement otherwise requires, (a) words of any gender include each other gender, (b) words using the singular or plural number also include the plural or singular number, respectively, (c) references to Sections and Articles refer to the applicable Sections and Articles of this Agreement, (d) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation," and (e) the predicate of any noun or pronoun shall be the immediately preceding prior noun.

ARTICLE II CONTRIBUTION

2.1 Contribution. VMG agrees to contribute Four Million, Five Hundred Thousand and NO/100 Dollars (\$4,500,000.00) (the "Cash Contribution") at the Closing to the Company as its initial capital contribution in exchange for a seventy percent (70%) Percentage Interest in the Company.

2.2 Consent.

Each of the Members consents to the Capital Contribution and to VMG's acquisition of a seventy percent (70%) Percentage Interest in the Company and agree to admit VMG as member of the Company in accordance with the Amended Agreement.

2.3 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Schreeder, Wheeler & Flint, LLP, 1100 Peachtree Street, Suite 800, Atlanta, Georgia 30309, at 9:00 a.m. (local time) on or before _____, 2012, or on such other date or at such other time as the parties mutually agree.

ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1 General Statement. The parties make the representations and warranties to each other which are set forth in this ARTICLE III. All such representations and warranties and all representations and warranties which are set forth elsewhere in this Agreement and in any financial statement, exhibit, certificate or other document delivered by a party hereto to any other party pursuant to this Agreement or in connection herewith shall survive the execution of this Agreement (and none shall merge into any instrument of conveyance), regardless of any investigation or lack of investigation by any of the parties to this Agreement. No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty.

3.2 Representations and Warranties of the Company and the Members. Each of the Company and the Shareholders, jointly and severally, represent and warrant to VMG as follows:

3.2.1 Organization, Existence and Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of South Carolina.

3.2.2 Foreign Good Standing. The Company has qualified as a Corporation, and is in good standing, under the Laws of all jurisdictions where the nature of its business or the nature or location of its assets requires such qualification.

3.2.3 Power and Authority. The Company has all necessary power and authority to carry on its business as such business is now being conducted. The Company has the power and authority to execute, deliver and perform this Agreement and each of the documents and instruments required to be entered into by it pursuant to this Agreement, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement and each of the documents and instruments required to be entered into pursuant to this Agreement, and the consummation by the Company of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary company action and such authorization has not been withdrawn or amended in any manner.

3.2.4 Enforceability. This Agreement has been duly executed and delivered by the Company. Assuming due and valid authorization, execution and delivery of this Agreement by the other parties, this Agreement is or will be the legal, valid and binding obligation of the

Company, enforceable against the Company in accordance with its terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, affecting creditors' rights generally; and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

3.2.5 Consents. No consent, authorization, order or approval of, or filing or registration with, any Governmental or Regulatory Authority is required for or in connection with the execution of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby.

3.2.6 Conflicts Under Constituent Documents or Laws. Neither the execution and delivery of this Agreement by the Company, nor the consummation by the Company of the transactions contemplated hereby, will conflict with or result in a breach of any of the terms, conditions or provisions of the Company's articles of organization or operating agreement, of any statute or administrative regulation, or of any order, writ, injunction, judgment or decree of any Governmental or Regulatory Authority or of any arbitration award to which the Company is party to or by which the Company is bound.

3.2.7 Conflicts Under Contracts. Except as set forth on Schedule 3.2.7, the Company is not a party to, or bound by, any unexpired, undischarged or unsatisfied Contract under the terms of which performance by the Company according to the terms of this Agreement will be a default or an event of acceleration, or grounds for termination, modification or cancellation, or whereby timely performance by the Company according to the terms of this Agreement may be prohibited, prevented or delayed.

3.2.8 Subsidiaries and Affiliates. The Company does not hold or beneficially own any direct or indirect interest (whether a partnership, joint venture, common or preferred stock or any comparable ownership interest in any Person), or any subscriptions, options, warrants, rights, calls, convertible securities or other agreements or commitments for any interest in any Person.

3.2.9 Manager and Officers. The names of each Shareholder and officer of the Company is set forth on Schedule 3.2.9 of the Disclosure Schedule.

3.2.10 Constituent Documents; Books and Records. True, correct and complete copies of the articles of organization and all amendments thereto, the operating agreement as amended and currently in force, all membership records, and minute books and records, of the Company have been made available for inspection by VMG. Such records accurately reflect all membership interest transactions, the current ownership and a listing of all of the current members of the Company. The minute books and records of the Company contain true, correct and complete copies of all resolutions adopted by the Shareholders, Director, and Officers of the Company and represent actual, bona fide transactions.

3.2.11 Capitalization. As of the date of this Agreement, the Shareholders are the sole Owners of the Company as set forth on Schedule 3.2.11. Except as set forth on Schedule

3.2.11, there are no outstanding subscriptions, options, warrants, rights (including preemptive rights), calls, convertible securities, contractual obligations to repurchase, redeem or otherwise acquire any membership interests of the Company, voting trusts, members' agreements or other agreements or commitments of any character relating to the issued or unissued units or membership interests or other securities of the Company or obligating the Company to issue any securities of any kind. With the exception of the Operating Agreement, dated _____, a true, correct and complete copy of which has been made available for inspection by VMG, there are no other agreements, voting trusts, understandings or arrangements by and among the Shareholders or Officers of the Company.

3.2.12 Financial Statements. Complete and accurate copies of the Financial Statements are contained in Schedule 3.2.12 of the Disclosure Schedule. Except as set forth on Schedule 3.2.12, the Financial Statements present fairly, in all material respects, the financial position of the Company as of the dates thereof and the results of operations and cash flows of the Company for the periods covered by said statements.

3.2.13 Liabilities. The Company does not have any Liabilities except for (a) Liabilities provided for or reserved against in the Financial Statements and not discharged subsequent to the dates of the Financial Statements and (b) Liabilities which have been incurred by the Company subsequent to the Financial Statement Date in the ordinary course of the Company's business and not discharged since the Interim Financial Statement Date.

3.2.14 Adequate Cash. The Company has adequate cash on hand or borrowing power to satisfy all accrued short-term liabilities and all trade payables of the Company as of the date hereof.

3.2.15 Assets. The Company has good title or valid license or leasehold interest to its assets, free and clear of any Claims, except for Permitted Liens. Except as disclosed in Schedule 3.2.15 of the Disclosure Schedule, no unreleased mortgage, trust deed, chattel mortgage, security agreement, financing statement or other instrument encumbering any of the assets of the Company has been recorded, filed, executed or delivered. The Company's assets are adequate to conduct its businesses as it is presently being conducted. The Company's assets and items of tangible personal property are in good operating condition and repair, normal wear and tear excepted.

3.2.16 Accounts Receivable. Except as set forth on Schedule 3.2.16, all of the Accounts Receivable reflected on the Interim Financial Statements or incurred in the normal course of business since the Interim Financial Statement Date have arisen from bona fide transactions in the ordinary course of business and to the Knowledge of the Company, to the extent not previously collected, are fully collectible, net of any allowance for doubtful accounts shown on the Interim Financial Statements, in the ordinary course of business in accordance with their terms. None of the Accounts Receivable is or will be at the Closing Date subject to any counterclaim or set-off. All reserves, allowances and discounts with respect to the Accounts Receivable were and are adequate and consistent in extent with reserves, allowances and discounts previously maintained by the Company in the ordinary course of business.

3.2.17 Taxes.

(a) The Company has properly completed and filed on a timely basis all Returns required to be filed. Such Returns are accurate and complete in all material respects. As of the time of filing, the foregoing Returns correctly reflected the facts regarding the income, business, assets, operations, activities, status and other matters of or information regarding the Company required to be shown thereon.

(b) All applicable Laws have been complied with in all material respects and all amounts required to be paid by the Company to taxing authorities have been paid.

(c) No issues have been raised in writing and are currently pending by any taxing authority in connection with any of the Returns. No waivers of statutes of limitation with respect to the Returns have been given by or requested from the Company. All deficiencies asserted or assessments made as a result of any examinations of Returns previously filed by the Company have been fully paid, or are fully reflected as a liability in the Financial Statements and the Interim Financial Statements, or are being contested and an adequate reserve therefor has been established and is fully reflected as a liability in the Financial Statements and the Interim Financial Statements.

(d) The Company is not a party to or bound by any tax indemnity, tax sharing or tax allocation agreement.

(e) All material elections with respect to Taxes affecting the Company are set forth in Schedule 3.2.17 of the Disclosure Schedule.

(f) the Company has been taxed as a Corporation under the Code (and for all pertinent state tax purposes) for each taxable year since formation.

3.2.18 Contracts. Schedule 3.2.18 of the Disclosure Schedule contains a true, correct and complete list of each undischarged Contract (including all amendments thereto) that is material to the conduct of the Company's businesses and to which the Company is a party to, including without limitation, all agreements with (a) suppliers or vendors; (b) loan agreements; (c) independent contractors and subcontractors; and (d) any Governmental or Regulatory Authority.

3.2.19 Material Adverse Effect. Except as set forth on Schedule 3.2.19, the Company has not suffered or been threatened with, and the Company does not have Knowledge of any facts which may cause or result in, any Material Adverse Effect.

3.2.20 Related Parties Transactions. With the exception of those items set forth on Schedule 3.2.20 of the Disclosure Schedule, the Company has not entered into any Contracts, arrangements or other business relationships with any of the Related Parties. Except as set forth on Schedule 3.2.20, the Company is not owed and does not owe any amount from or to the Related Parties.

3.2.21 Permits. Schedule 3.2.21 of the Disclosure Schedule contains a true, correct and complete list of, and the Company possesses, all Permits and Environmental Permits

which are required in order for the Company to conduct its business as presently conducted or proposed to be conducted.

3.2.22 Employee Benefit Plans. With respect to the Benefit Plans of the Company:

(a) the Company does not maintain, administer or contribute to any Benefit Plan other than those Benefit Plans set forth on Schedule 3.2.22 of the Disclosure Schedule.

(b) the Company does not maintain or contribute to any plan or arrangement providing medical or life insurance benefits to former employees or their dependents.

(c) Each Benefit Plan complies, in form and operation, in all material respects, with all applicable Laws, including ERISA and the Code.

(d) All reports and information relating to each Benefit Plan required to be filed with any Governmental or Regulatory Authority have been timely filed and are accurate in all material respects. All reports and information relating to each Benefit Plan required to be disclosed or provided to participants or their beneficiaries have been timely disclosed or provided. No fiduciary of any Benefit Plan has committed a breach of any responsibility or obligation imposed upon fiduciaries under ERISA with respect to such Benefit Plan.

(e) There are no actions, suits, proceedings, investigations or hearings pending or, to the Knowledge of the Company, overtly threatened with respect to any Benefit Plan or any fiduciary or assets thereof.

3.2.23 Employee Relations. With respect to the employees of the Company:

(a) There is not presently pending or, to the Knowledge of the Company, overtly threatened any: (i) strike, slowdown, picketing, work stoppage or employee grievance process; (ii) charge, grievance proceeding or other claim against or affecting the Company relating to the alleged violation of any Law pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission or any comparable Governmental or Regulatory Authority; (iii) union organizational activity or other labor or employment dispute against or affecting the Company; or (iv) application for certification of a collective bargaining agent.

(b) To the Knowledge of the Company, no event has occurred or circumstances exist that could provide the basis for any work stoppage or other labor dispute with respect to the Company.

(c) Except as set forth on Schedule 3.2.23, no employee of the Company has any claim against the Company (whether under Law, any employment Contract or otherwise) on account of or for: (i) overtime pay, other than overtime pay for the current payroll

period, (ii) wages or salaries, other than wages or salaries for the current payroll period, or (iii) vacations, sick leave, time off or pay in lieu of vacation, sick leave or time off, other than vacation, sick leave, or time off (or pay in lieu thereof) earned in the 12 month period immediately prior to the date of this Agreement.

(d) To the Knowledge of the Company, no employee of the Company is an undocumented alien or has been hired in violation of the immigration Laws.

(e) The employees and former employees the Company who have (or have had) access to confidential or proprietary information of the Company have executed confidentiality forms which, to the Knowledge of the Company, are adequate to protect the Company's proprietary interest therein.

3.2.24 Litigation and Claims. Except as set forth on Schedule 3.2.24, there is no litigation or proceeding, at law or in equity, and there are no proceedings or governmental investigations before any Governmental or Regulatory Authority, pending or, to the Knowledge of the Company, threatened against any Member, the Company or the officers, managers or Affiliates of the Company, with respect to or affecting the Company's operations, Contracts, business or assets, or with respect to the consummation of the transactions contemplated hereby nor, to the Knowledge of the Company, is there any basis for any of the foregoing.

3.2.25 Decrees, Orders or Arbitration Awards. The Company is not a party to, or bound by, any decree, order or arbitration award (or agreement entered into in any administrative, judicial or arbitration proceeding with any Governmental or Regulatory Authority) with respect to or affecting the Company's operations, business or assets.

3.2.26 Compliance with Laws. Except as set forth on Schedule 3.2.26, the Company is not in violation of, or delinquent in respect to, any decree, order or arbitration award or Law of or agreement with, or any Permit or Environmental Permit from, any Governmental or Regulatory Authority to which the property, assets, personnel or business activities of the Company are subject.

3.2.27 Environmental Matters. There is no Environmental Claim pending or, to the Knowledge of the Company, threatened against the Company. The Company (a) is in compliance with all applicable Environmental Laws and Environmental Permits, and (b) possesses all Environmental Permits which are required for the operation of its business and operations, all of which are set forth on Schedule 3.2.37 of the Disclosure Schedule. The Company has not received any communication alleging that it is not, or at any time has not been, in compliance with any applicable Environmental Laws or Environmental Permits, nor has the Company received any written notice from any Person with respect to any Real Property of potential or actual liability or a written request for information from any Person under or relating to CERCLA or any comparable state or local Law. No Real Property is currently listed on the National Priorities List or the Comprehensive Environmental Response, Compensation and Liability Information System, both promulgated under the CERCLA or any comparable state list. Since acquired or leased by the Company, (i) there is not and has not been any Hazardous Substances used, generated, treated, stored, transported, disposed of, handled or otherwise existing on, under or about any Real Property in violation of Environmental Laws, (ii) there are

no underground or above-ground storage tanks located on any Real Property, and (iii) all underground or above-ground storage tanks previously located at any Real Property (and not presently thereat as of the date hereof), were removed in accordance with all Environmental Laws. There has been no Release or, to the Knowledge of the Company, any threat of Release, of any Hazardous Substance at or from any Real Property.

3.2.28 Real Property.

- (a) Schedule 3.2.28(a) list all Real Property owned by the Company.
- (b) Schedule 3.3.28(b) completely and accurately describes all leases and subleases of the Real Property.

3.2.29 No Omissions. The representations and warranties of the Company and each Member in this Agreement, and all representations, warranties and statements of the Company and each Member contained in any schedule, Financial Statement, exhibit, list, certificate or other document delivered pursuant hereto or in connection herewith, do not omit to state a material fact necessary in order to make the representations, warranties or statements contained herein or therein not misleading.

3.2.30 Brokers. Neither the Company, the Shareholders nor any of their respective Affiliates has dealt with any Person who is entitled to a broker's commission, finder's fee, investment banker's fee or similar payment from the Members or the Company for arranging the transactions contemplated hereby or introducing the parties to each other.

3.3 Representations and Warranties of Members. Each Member, individually, and not jointly and severally, with respect to such Member represents and warrants to VMG as follows:

3.3.1 Power and Authority. Such Officer(s) has full power and authority to execute, deliver and perform this Agreement and each of the documents and instruments required to be entered into pursuant to this Agreement, and to consummate the transactions contemplated hereby and thereby.

3.3.2 Enforceability. This Agreement has been duly executed and delivered by such Officer(s) and constitutes a legal, valid and binding agreement of such Officer(s), enforceable against such Officer(s) in accordance with its terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, affecting creditors' rights generally; and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

3.3.3 Consents. No consent, authorization, order or approval of, or filing or registration with, any Governmental or Regulatory Authority is required for or in connection with the consummation by such Officer(s) of the transactions contemplated hereby.

3.3.4 Conflicts With Laws. Neither the execution and delivery of this Agreement by such Officer, nor the consummation by him or it of the transactions contemplated hereby will conflict with or constitute a breach of any of the terms, conditions or provisions of any statute or administrative regulation or of any order, writ, injunction, judgment or decree of any Governmental or Regulatory Authority, court or of any arbitration award, to which any Officer is a party or by which any Shareholder is bound.

3.3.5 Conflicts Under Contracts. No Member is a party to, or bound by, any unexpired, undischarged or unsatisfied written or oral Contract, agreement, indenture, mortgage, debenture, note or other instruments under the terms of which the execution, delivery and performance by such Member of this Agreement and the consummation of the transactions contemplated hereby by such Shareholder will require a consent, approval, or notice or result in a lien on the Interest owned by such Shareholder.

3.4 Representations and Warranties of VMG. VMG represents and warrants to the Company and the Members as follows:

3.4.1 Organization, Existence and Good Standing. VMG is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Georgia.

3.4.2 Power and Authority. VMG has the power and authority to execute, deliver and perform this Agreement and each of the documents and instruments required to be entered into by it pursuant to this Agreement, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by VMG of this Agreement and each of the documents and instruments required to be entered into pursuant to this Agreement, and the consummation by VMG of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary company action and such authorization has not been withdrawn or amended in any manner.

3.4.3 Enforceability. This Agreement has been duly executed and delivered by VMG. Assuming due and valid authorization, execution and delivery of this Agreement by the other parties, this Agreement is or will be the legal, valid and binding obligation of VMG, enforceable against VMG in accordance with its terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, affecting creditors' rights generally; and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

3.4.4 Consents. No consent, authorization, order or approval of, or filing or registration with, any Governmental or Regulatory Authority is required for or in connection with the execution of this Agreement by VMG or the consummation by VMG of the transactions contemplated hereby.

3.4.5 Conflicts Under Constituent Documents or Laws. Neither the execution and delivery of this Agreement by VMG, nor the consummation by VMG of the transactions contemplated hereby, will conflict with or result in a breach of any of the terms, conditions or

provisions of VMG's articles of organization or operating agreement, of any statute or administrative regulation, or of any order, writ, injunction, judgment or decree of any Governmental or Regulatory Authority or of any arbitration award to which VMG is party to or by which VMG is bound.

3.4.6 Conflicts Under Contracts. VMG is not a party to, or bound by, any unexpired, undischarged or unsatisfied Contract under the terms of which performance by VMG according to the terms of this Agreement will be a default or an event of acceleration, or grounds for termination, modification or cancellation, or whereby timely performance by VMG according to the terms of this Agreement may be prohibited, prevented or delayed.

ARTICLE IV COVENANTS AND AGREEMENTS PENDING CLOSING

4.1 Conduct of the Business Pending Closing. Except as otherwise permitted by this Agreement, from the date of this Agreement until the Closing, the Company shall conduct the operation of its business in the ordinary course and, the Company and their Shareholders shall not undertake, authorize, consent to or otherwise permit, directly or indirectly, any of the following actions:

- (a) borrow any sums or enter into any financial guarantees or otherwise incur any Indebtedness, Liability or obligation other than in the ordinary course of business;
- (b) sell, assign, transfer, lease, mortgage, pledge or subject to lien, or otherwise encumber, any of its assets;
- (c) solicit or negotiate, directly or indirectly, through any broker or other representative or otherwise, or accept any offer with respect to, the sale or transfer of its assets;
- (d) enter into any agreement or transaction, not in the ordinary course of business, relating to its assets, or amend, modify or terminate any of the Contracts;
- (e) enter into any employment, consulting or similar agreement with, or make or authorize any compensation increase for, any employee whether such increase relates to base compensation, commissions, bonuses, benefits or otherwise, or establish or adopt any employee benefit plan extending to any employee;
- (f) declare, pay or set aside for payment any dividend, distribution or return of capital affecting its assets;
- (g) make or commit to make any capital expenditures;
- (h) alter, change or revise the accounting practices, procedures, methods or principles currently in place;
- (i) settle or compromise any litigation disputes;
- (j) consent to or authorize any citations, orders, rulings, or decrees issued by

any governmental authority under the Environmental Laws;

(k) modify or amend or otherwise consent to any modification, amendment, termination or surrender of any Permit; or

(l) otherwise enter into any transaction or take any other action not in the ordinary course of business.

4.2 Access. Upon reasonable notice from the date hereof through the Closing, the Company and the Members shall afford VMG and its representatives (including, without limitation, their independent public accountants, engineers, consultants, attorneys, lenders and other representatives) reasonable access to, and opportunity to examine, during normal business hours, any and all of the premises, properties, contracts, books, records, business or data of or relating to the business of the Company.

4.3 Approvals and Consents. The parties will cooperate to give all notices and make best efforts to obtain, prior to the Closing, all approvals, consents and waivers of federal, state and local government departments or agencies or of any other parties required or deemed necessary or beneficial for consummation of the transactions contemplated by this Agreement.

4.4 Reasonable Best Efforts; Further Assurances. On and subject to the terms and conditions contained herein, each party will use its reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement.

4.5 Satisfactory Completion of Due Diligence. VMG and its agents and representatives, at its sole cost and expense, shall have the right to conduct, at its discretion, due diligence.

4.6 Satisfaction of Conditions. The parties shall cause the delivery of the respective documents required to be delivered or caused to be delivered by such party pursuant to Section 6 below. In addition, each party also agrees, subject to the terms and conditions of this Agreement, to take or cause to be taken all commercially reasonable steps necessary or desirable and proceed diligently and in good faith to satisfy each condition to the other's obligations contained in this Agreement and to consummate and make effective the transactions contemplated by this Agreement.

4.7 Supplemental Disclosure. The Company and the Members shall have the continuing obligation up to and including the Closing Date to supplement promptly or amend the Disclosure Schedule with respect to any matter hereafter arising or discovered that, if existing or known at the date of this Agreement, would have been required to have been set forth or listed on the Schedules. For purposes of the rights and obligations of the parties hereunder, any supplemental disclosure shall be deemed to have been disclosed as of the date of this Agreement.

ARTICLE V
CONDITIONS TO CLOSING

5.1 Closing Conditions of VMG. The obligations of VMG under this Agreement are subject to the reasonable satisfaction, or waiver, at or prior to the Closing of each of the following conditions:

(a) The representations and warranties of the Company and the Shareholders contained in this Agreement shall be true and correct in all material respects on the date hereof and on the Closing Date as though made on and as of the Closing Date.

(b) The Company and the Shareholders shall have performed and complied with all of the covenants under this Agreement in all material respects and satisfied all of the conditions required by this Agreement to be performed, complied with or satisfied by the Company and/or the Members at or prior to the Closing.

(c) All authorizations, consents, licenses, approvals, assignments, transfers and other actions by, and all notices to and filings with, any governmental body, agency, official or authority that are required for the due execution, delivery and performance of this Agreement, shall have been obtained or the waiting period shall have expired.

(d) VMG shall have received, in a form and substance reasonably acceptable to VMG, to the extent required, all authorizations, consents, licenses, approvals and other actions set forth on Schedule 3.2.7.

(e) No action, suit or proceeding shall have been instituted by any Person or entity, or by any governmental agency or body, before a court or governmental body, to restrain or prevent the carrying out of the transactions contemplated by this Agreement, or that seeks other material relief with respect to any of such transactions or that could, individually or in the aggregate, have a material adverse effect on the business or prospects of the Company, and on the Closing Date, no injunction, restraining order or decree of any nature of any court or governmental agency or body in effect that restrains or prohibits the consummation of the transactions contemplated by this Agreement shall be in effect.

(f) There shall not have occurred any Material Adverse Effect in the business of the Company or any material change in the financial condition, operation or prospects of the Company since the date of this Agreement.

(g) All deliveries required by Section 6.3 shall have been made to VMG.

(h) VMG shall have completed all due diligence pursuant to Section 4.5 and be satisfied with the results of its due diligence investigation.

5.2 Closing Conditions of the Company and the Members. The obligations of the Company and the Members under this Agreement are subject to the reasonable satisfaction, or waiver, at or prior to the Closing of each of the following conditions:

(a) The representations and warranties of VMG contained in this Agreement

shall be true and correct in all material respects on the date hereof and on the Closing Date as though made on and as of the Closing Date.

(b) VMG shall have performed and complied with all of the covenants and agreements required under this Agreement in all material respects and satisfied all of the conditions required by this Agreement to be performed, complied with or satisfied by VMG at or prior to the Closing.

(c) All authorizations, consents, licenses, permits, approvals, assignments, transfers and other actions by, and all notices to and filings with, any governmental body, agency, official or authority and are required for the due execution, delivery and performance of this Agreement, and the operation of the Business after the Closing, shall have been obtained or the waiting period shall have expired.

(d) All deliveries required by Section 6.2 shall have been made to the Company.

ARTICLE VI CLOSING

6.1 Closing Documents. At the Closing, the parties shall deliver the documents, and perform the acts, which are set forth in this ARTICLE VI.

6.2 VMG Deliveries. VMG hereby agrees to execute and/or deliver all of the following:

6.2.1 certified copies of VMG's articles of organization issued by the Secretary of State of the State of Georgia;

6.2.2 a certificate of good standing for VMG issued not earlier than fifteen days prior to the Closing Date, by the secretaries of state of the applicable jurisdictions;

6.2.3 the Cash Contribution payable by wire transfer in immediately available funds to the Company;

6.2.4 a certificate of the manager of VMG certifying as true, correct and complete the following: (a) the incumbency and specimen signature of each manager of VMG executing this Agreement and any other document delivered hereunder on behalf of VMG; (b) a copy of VMG's articles of organization and operating agreement; and (c) a copy of the resolutions of VMG's members and managers authorizing the execution, delivery and performance of this Agreement and any other documents delivered by VMG hereunder;

6.2.5 a closing certificate executed by a manager of VMG, on behalf of VMG in the form of Exhibit A.

6.2.6 an executed counterpart of the Amended and Restated Operating Agreement of the Company, effective upon the Closing, in the form of Exhibit B (the "Amended Agreement") executed by VMG; and

6.2.7 without limitation by specific enumeration of the foregoing, all other documents reasonably required from the other parties to consummate the transactions contemplated hereby.

6.3 The Company's and Member's Deliveries. The Company and Members, as applicable, agree to execute and/or deliver to VMG all of the following:

6.3.1 certified copies of the Company's articles of organization issued by the Secretary of State of the State of Georgia;

6.3.2 certificates of good standing for the Company issued not earlier than fifteen days prior to the Closing Date, by the secretaries of state of the applicable jurisdictions;

6.3.3 a certificate of the manager of the Company certifying as true, correct and complete the following: (a) the incumbency and specimen signature of each manager of the Company executing this Agreement and any other document delivered hereunder on behalf of the Company; (b) a copy of the operating agreement of the Company; and (c) a copy of the resolutions of the Company's members and manager authorizing the execution, delivery and performance of this Agreement and any other documents delivered by the Company hereunder;

6.3.4 a closing certificate duly executed by manager of the Company, on behalf of the Company in the form of Exhibit C.

6.3.5 a counterpart of the Amended Agreement duly executed by each of the Members; and

6.3.6 without limitation by specific enumeration of the foregoing, all other documents reasonably required from VMG to consummate the transactions contemplated hereby.

ARTICLE VII POST-CLOSING AGREEMENTS

7.1 Post-Closing Agreements. From and after the Closing, the parties shall have the respective rights and obligations which are set forth in the remainder of this ARTICLE VII.

7.2 Third Party Claims. The parties hereon shall cooperate with each other with respect to the defense of any Third Party Claims subsequent to the Closing Date which are not subject to the indemnification provisions contained in ARTICLE IX, provided that the party requesting cooperation shall reimburse the other party for the other party's reasonable out-of-pocket costs and expenses of furnishing such cooperation.

7.3 Further Assurances. The parties shall execute such further documents, and perform such further acts, as may be necessary to transfer and convey to VMG the seventy percent (70%) Percentage Interest in the Company, on the terms herein contained, and to otherwise comply with the terms of this Agreement and consummate the transactions contemplated hereby.

ARTICLE VIII OTHER AGREEMENTS

8.1 Confidentiality. Each of the parties hereto hereby agrees to keep the existence and terms of this Agreement (except to the extent contemplated hereby), and such information or knowledge obtained pursuant to the negotiation and execution of this Agreement or the effectuation of the transactions contemplated hereby, confidential; provided, however, that the foregoing shall not apply to information or knowledge which (a) a party can demonstrate was already lawfully in its possession prior to the disclosure thereof by the other party, (b) is or becomes generally known to the public and did not become so known through any violation of Law, or a confidentiality agreement or other contractual, legal or fiduciary obligation of confidentiality of the disclosing party or any other party with respect to such information, (c) is later lawfully acquired by such party without confidentiality restrictions from other sources not bound by applicable confidentiality restrictions, (d) is required to be disclosed under applicable Law or the rules of the Securities and Exchange Commission or any stock exchange, (e) is required to be disclosed to satisfy a condition of this Agreement and (f) is required to be disclosed by order of court or Governmental or Regulatory Authority with subpoena powers (provided that such party shall have provided the other party with prior notice of such order and an opportunity to object or seek a protective order and take any other available action) or in connection with any lawsuit or arbitration proceeding between the parties hereto (and in such event only to the extent such disclosure is required).

8.2 Publicity. Except as otherwise required by Law or the rules of the Securities and Exchange Commission or any stock exchange, press releases and other publicity concerning this transaction shall be made only with the prior agreement of VMG, the Company and the Members (and in any event, the parties shall use all reasonable efforts to consult and agree with each other with respect to the content of any such required press release or other publicity).

ARTICLE IX INDEMNIFICATION

9.1 The Members' Indemnification. From and after the Closing, the Shareholders shall jointly and severally indemnify (except for the representations and warranties contained in Sections 3.3, with respect to which indemnification shall be several but not joint) VMG and the Company and their officers, managers, members, employees, agents, successors and assigns (collectively, the "VMG Claimants") in respect of, and hold the VMG Claimants harmless from and against any and all Damages (whether or not including a Third Party Claim) arising out of or relating to:

9.1.1 any inaccuracy in any representation or breach of any warranty made by any Member and/or the Company contained in Section 3.2 and 3.3;

9.1.2 any failure of the Shareholders and the Company to perform or fulfill any covenant or agreement included in this Agreement and required to be performed or fulfilled by the Shareholders and/or the Company;

9.1.3 any action that is brought against any VMG Claimant or the Company and that is based on facts that arose on or before the Closing Date or on acts or omissions occurring on or before the Closing Date; or

9.1.4 any obligations and liabilities of whatever kind, nature or description relating, directly or indirectly, to (A) the conduct of the Company's business on or before the Closing Date, (B) the use or occupancy of the Real Property on or before the Closing Date, (C) the Company's storage, treatment, disposal of, transportation, or handling of Hazardous Substances of the Company on or before the Closing Date as established by the Baseline Study, (D) the Release of Hazardous Substances on the Real Property on or before the Closing Date, or (E) violation by the Company of any Environmental Law on or before the Closing Date.

9.2 VMG's Indemnification. Subject to the terms and limitations of this Article, from and after the Closing, VMG shall indemnify the Shareholders and the Company, and their heirs, successors and assigns (collectively, the "Member Claimants"), hold them harmless from and against any and all Damages (whether or not including a Third Party Claim) in respect of, arising out of or relating to:

9.2.1 any inaccuracy in any representation or breach of any warranty made by VMG contained in Section 3.4; or

9.2.2 any failure of VMG to perform or fulfill any covenant or agreement included in this Agreement and required to be performed or fulfilled by VMG.

9.3 Survival of Representations and Warranties. The representations and warranties contained in Article III and the indemnification provisions of Section 9.1. and 9.2. shall survive the Closing Date.

ARTICLE X TERMINATION

10.1 Termination. Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated only:

- (a) by mutual consent of the parties;
- (b) by VMG, if the conditions to the Closing set forth in Section 5.1 are or would be incapable of being satisfied by _____, 2012;
- (c) by the Company or the Shareholders, if the conditions to the Closing set forth in Section 5.2 are or would be incapable of being satisfied by _____, 2012;
- (d) by VMG in the event of a material breach by the Company or any Member of any representation, warranty, covenant, agreement or other obligation contained in this Agreement;
- (e) by the Company or the Shareholders in the event of a material breach by VMG of any representation, warranty, covenant or agreement contained in this Agreement; or

(f) by any party is the Closing had not occurred by _____, 2012.

10.2 Effect of Termination. Upon the termination of this Agreement this Agreement shall forthwith be void and of no further force and effect without any liability or obligation on the part of any party, except to the extent that such termination results from a willful breach by a party of any of its representations or warranties or willful failure by any party to perform its covenants or agreements set forth herein.

10.3 Specific Performance. It is expressly agreed and understood that nothing in this Agreement shall preclude any party from seeking specific performance, injunctive relief or any other remedies not involving the payment of monetary damages in the event of any breach or violation of any provision of this Agreement by any other party (whether or not this Agreement is terminated as a result of such breach or violation) and each party acknowledges that, in light of the unique benefit to it of its rights under this Agreement, such remedies shall be available in respect of any such breach or violation by it in any suit properly instituted in a court of competent jurisdiction.

ARTICLE XI MISCELLANEOUS

11.1 Notices. All notices required or permitted to be given hereunder shall be in writing and may be delivered by hand, by facsimile, by nationally recognized private courier, or by United States mail. Notices delivered by mail shall be deemed given three Business Days after being deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested. Notices delivered by hand, by facsimile, or by nationally recognized private courier shall be deemed given on the first Business Day following receipt. All notices shall be addressed as follows:

If to VMG:

Vinings Marine Group, LLC,
2839 Paces Ferry Road, Suite 450
Atlanta, Georgia 30339
Attn: Peter D. Anzo
Fax: _____

with a copy to:

Schreeder, Wheeler & Flint, LLP
1100 Peachtree Street
Suite 800
Atlanta, Georgia 30309
Attention: John A. Christy, Esq.
Fax: (404) 681-1046

If to Company:

Warpath Development Inc

Fax: _____

with a copy to:

Fax: _____

If to _____:

Fax: _____

and/or to such other respective addresses and/or addressees as may be designated by notice given in accordance with the provisions of this Section 11.1.

11.2 Expenses. Each Party shall pay its own fees and expenses incurred in connection with, relating to or arising out of the negotiation, preparation, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including financial advisors', attorneys', accountants' and other professional fees and expenses.

11.3 Entire Agreement. This Agreement, together with the instruments and other documents to be delivered by the parties pursuant to the provisions hereof constitute the entire agreement between the parties with respect to the subject matter hereof and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns. Each exhibit, schedule and the Disclosure Schedule, shall be considered incorporated into this Agreement. Any amendments, or alternative or supplementary provisions, to this Agreement, must be made in writing and duly executed by an authorized representative or agent of each of the parties hereto.

11.4 Non-Waiver. The failure in any one or more instances of a party to insist upon performance of any of the terms, covenants or conditions of this Agreement, to exercise any right or privilege in this Agreement conferred, or the waiver by said party of any breach of any of the terms, covenants or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall

be effective unless it is in writing and signed by an authorized representative of the waiving party.

11.5 Counterparts. This Agreement may be executed in multiple counterparts and by facsimile, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.

11.6 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, and, for purposes of such jurisdiction, such provision or portion thereof shall be struck from the remainder of this Agreement, which shall remain in full force and effect. This Agreement shall be reformed, construed and enforced in such jurisdiction so as to best give effect to the intent of the parties under this Agreement.

11.7 Governing Law, Venue. This Agreement will be governed by and construed in accordance with the laws of the State of Georgia without regard to conflict of law principles. VMG, the Company and the Members irrevocably and unconditionally (i) agree that any suit, action or other legal proceeding arising out of this Agreement shall be brought in the United States District Court for the Northern District of Georgia or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the County of Fulton; (ii) consent to the jurisdiction of any such court in any such suit, action or proceeding; and (iii) waive any objection which VMG, the Company and the Members may have to the laying of venue of any such suit, action or proceeding in any such court.

11.8 Binding Effect; Benefit. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their successors and permitted assigns.

11.9 Assignability. This Agreement shall not be assignable by any party without the prior written consent of all the parties.

11.10 Amendments. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.

11.11 Headings. The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have executed and sealed this Contribution Agreement on the date first above written.

VMG:

COMPANY:

VININGS MARINE GROUP, LLC

By: _____(Seal)

Name: _____

Title: _____

By: _____(Seal)

Name: _____

Title: _____

Shareholders

_____(Seal)

_____(Seal)

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Exhibit A

Bringdown Certificate – VMG

See attached

Exhibit B

Amended and Restated Operating Agreement

See attached

EXHIBIT C

Bringdown Certificate-Company and Members

See attached

EXHIBIT 6

Rick Thoennes, Sr

From: r.thoennes@att.net
Sent: Saturday, March 24, 2007 6:21 PM
To: Tim Roberson; Rick Thoennes
Subject: RE:
Attachments: Warpath Marina.xls

Take a look. I have added \$84,000/year for hotel income. Strictly a guess.

There is a total of \$1,000,000 for Andy.

I don't think the rv & cottages are going to be a big income producer but I can be wrong.

We still have restaurant income and a lot of peripheral income. repairs, storage, misc.

I don't believe we can give Andy much until all permits & approvals prove to be real.

Still think its a descent deal. Could be sold after a couple of years at a good profit.

Can we raise the equity needed. (4.3 mil)

--
Marick
Office-864-232-5555
Fax-864-232-5504

----- Original message from "Tim Roberson"
<Tim.Roberson@integrys.net>: -----

Rick,

The numbers look good as is, but the reality is the loan might be 60% equity required. Also, Andy stated that he wanted \$1M if he sold 60%, but of course this is negotiable. I would think we should give him the \$1M, but take 90% of the deal.

I didn't pick up any numbers for subleasing the hotel, fees for overseeing construction contractor, or any revenue sharing from hotel operations and cabin, campsite and RV

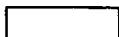
9/22/2008

RTTW_000562

ops. Are you saying that we would only want to do the mariner, or are you saying that the rest is icing on the cake?

Andy has called me twice to tell me he is holding off discussions with another group. No way of knowing if this is true.

Tim



Tim W. Roberson / Integrys Holdings, LLC / 864.679.3490 Voice / 864.458.3313 Fax / 864.270.6368 Cell / www.integrys.net

From: r.thoennes@att.net [mailto:r.thoennes@att.net]

Sent: Friday, March 23, 2007 11:01 AM

To: Tim Roberson

Cc: Rick Thoennes III

Subject:

Tim, attached is a preliminary proforma. This is for the marina only. Includes road, sewer and water for entire project. Not just marina. Assume a 100% loan which we know is impossible. Assumes \$500,000 for the current developer. Assumes sewer to Seneca sewer system.

--
Marick

Office-864-232-5555

Fax-864-232-5504

--
No virus found in this incoming message.

Checked by AVG Free Edition.

Version: 7.5.446 / Virus Database: 268.18.17/731 - Release Date: 3/23/2007 3:27 PM

9/22/2008

RTTW_000563

EXHIBIT 7

Rick Thoennes, Sr

From: Tim Roberson [Tim.Roberson@integrys.net]
Sent: Sunday, October 28, 2007 4:26 PM
To: ricksr@marick.net; rick@marick.net
Subject: RE: Warpath

I suggest that you say "... until Spring of 2011." when discussing phase 2. That will sound like a long, long time from now. You might say something that as it now shows, it could be years before there are any owner cash disbursements due to having to pay back the equity first, etc., etc. I think he will take his 1M and run... after a little threatening, posturing and whining.

-----Original Message-----

From: Rick Thoennes, Sr [mailto:ricksr@marick.net]
Sent: Sunday, October 28, 2007 12:26 PM
To: rick@marick.net
Cc: Tim Roberson
Subject: RE: Warpath

Check the changes below. I think we need to hold the 20% option as an ace in the hole. It may give him an out that he comes up with. Will wait to hear from Tim.

-----Original Message-----

From: rick@marick.net [mailto:rick@marick.net]
Sent: Sunday, October 28, 2007 11:54 AM
To: ricksr@marick.net
Cc: 'Tim Roberson'
Subject: Re: Warpath

I would not ask him to consider a few things. I would be a little more direct. I would tell him these are the options and he needs to let us know which option he would like to take.

I also would not say "I guess" before the 2 options. I would just say "here are the two options we have". Also if he returns a portion of the 1mm it does not say anything about the 20%. Don't we want to get him out of the deal? I would rather him keep the 1mm and give back the 20%. He isn't going to have any cash to give back anyway. I would let him keep the 1mm give back the 20% and give no future payments.

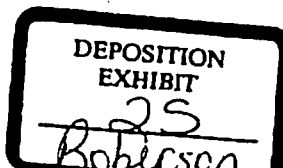
Option 2 would stay like it is.

My thoughts.

Rick III

,Quoting "Rick Thoennes, Sr" <ricksr@marick.net>:

- > Tim & Rick, this is the email I would propose to send. Please correct,
- > add or delete and send it back to me.
- >
- >
- >
- > Andy, We need you to consider a couple of things.
- >
- >
- >
- > The approvals from Duke did not come as fast or in the way that we had
- > hoped. As you know, all of our proformas were based on the 200 paying
- > slips. By cutting those in 1/2 and by delaying us past next spring
- > (effectively 1 more year), the
- > numbers have changed drastically.
- >



RTTW_000849

>
>
> The delay also moves the 2nd phase (lodge, restaurant & cottages) out
> another year. Tim, Rick III and I have discussed all of this and we
> all agree that we would have struck a different deal if we had known
> we could not get 200 slips and get approvals in a timely manner. We
> would have had
to
> do 1 of 2 things. Pay less and not have 4 partners or not do the deal
> at all. The amount of return on investment is just not there at 100 slips.
>
>
>
> We did all of our due diligence based upon the fact that we would get
> 200 slips and be able to open in spring of 2008.
>
>
>
> I believe the only options are:
>
>
>
> 1. Return a sizeable portion of the \$1 mil and continue on or
> 2. Return all of the \$1 mil and you can sell it to someone else.
>
> Please give this consideration and let us know the option you prefer.
>
> Rick Thoennes
>
>
> No virus found in this outgoing message.
> Checked by AVG Free Edition.
> Version: 7.5.488 / Virus Database: 269.15.8/1089 - Release Date:
10/23/2007
> 7:39 PM
>
>

No virus found in this incoming message.
Checked by AVG Free Edition.
Version: 7.5.488 / Virus Database: 269.15.8/1089 - Release Date: 10/23/2007
7:39 PM

No virus found in this outgoing message.
Checked by AVG Free Edition.
Version: 7.5.488 / Virus Database: 269.15.8/1089 - Release Date: 10/23/2007
7:39 PM

No virus found in this incoming message.
Checked by AVG Free Edition.
Version: 7.5.488 / Virus Database: 269.15.8/1089 - Release Date: 10/23/2007 7:39 PM

EXHIBIT 8

Warpath Marina and Resort Center Operations Cash Flow Phase I and IB

Item	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Number of wet rentals	0	0	51	40	11	0	0	0	0	0
Number of drystack rentals	0	0	50	70	10	10	10	10	10	10
Cumulative wet rentals	0	0	51	86	97	97	97	97	97	97
Cumulative drystack rentals	0	0	50	120	130	140	150	160	170	180
Sources of Cash:										
Rental income from wet slips	0	0	15,300	25,800	29,100	29,100	29,100	29,100	29,100	29,100
Rental from drystack	0	0	15,000	36,000	39,000	42,000	45,000	48,000	51,000	54,000
Gas & oil sales	0	0	8,370	13,950	8,370	1,116	1,116	1,116	1,116	1,116
Income from repairs, wintenze & cleanup	0	0	100	500	500	3,000	3,000	500	0	0
Rental from rv sites	0	0	200	400	800	400	400	160	160	160
Rental from tent sites	0	0	200	300	400	300	200	200	200	200
Rental from cabins	0	0	0	0	0	0	0	0	0	0
Net income from marina store	0	0	2,000	3,000	2,000	500	500	500	500	500
Net income from marina restaurant	0	0	2,000	5,000	5,000	3,000	3,000	3,000	3,000	3,000
Rental from pavilion	0	0	0	0	0	0	0	0	0	0
Income	0	0	43,170	84,950	84,970	79,416	82,316	82,576	85,076	88,076
Capital contribution	0	0	0	0	0	0	0	0	0	0
Total sources of cash	0	0	43,170	84,950	84,970	79,416	82,316	82,576	85,076	88,076
Uses of Cash:										
Accounting fees	0	150	150	150	150	150	150	150	150	150
Bad debt	0	0	108	212	212	199	206	206	213	220
Bank & credit card charges	0	0	173	340	340	318	329	330	340	352
Dock & drystack repairs	0	0	91	185	204	213	222	231	240	249
Dock & drystack supplies	0	0	138	278	306	320	333	347	360	374
Dues & subscriptions	100	100	100	100	100	100	100	100	100	100
Duke Power lease fee	0	0	0	0	0	0	0	0	0	0
Dumpster	0	150	150	150	150	150	150	150	150	150
Electricity	0	250	500	700	800	800	800	800	800	800
Fuel costs-for sale fuel	0	0	5,370	8,950	5,370	716	716	716	716	716
Fuel dock supplies	0	0	100	100	100	100	100	100	100	100
Insurance-Liability	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Insurance-Property	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Internet	0	100	100	100	100	100	100	100	100	100
Landscape maintenance	0	300	300	300	300	300	300	300	300	300
Legal fees	0	0	0	0	0	0	0	0	0	0
Maintenance & repairs	0	0	250	250	250	250	250	250	250	250
Marketing-other	10,000	10,000	0	0	0	0	0	0	0	5,000
Marketing-phone book	0	0	0	0	250	250	250	250	250	250
Marketing-trade pub	100	100	100	100	100	100	100	100	100	100
Office supplies	25	25	25	25	25	25	25	25	25	25
Phone	125	125	125	125	125	125	125	125	125	125
Pool maintenance	0	0	0	0	0	0	0	0	0	0
Postage & delivery	25	25	25	25	25	25	25	25	25	25
Salaries-management (includes taxes & ins.)	6,583	6,583	6,583	6,583	6,583	6,583	6,583	6,583	6,583	6,583
Salaries-marina, rv & campsite	0	15,600	16,120	16,120	12,480	3,224	3,120	3,224	3,224	2,913
Sewer	0	500	500	500	500	500	500	500	500	500
Taxes-property	0	0	0	0	0	0	0	0	1,000	0
Tools & equipment	0	0	100	100	100	100	100	100	100	100
Travel & entertainment	500	500	100	100	100	100	100	100	100	100
Truck expenses	500	500	500	500	500	500	500	500	500	500
Water	50	50	50	50	50	50	50	50	50	50
Moving & relocation	2,500	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
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Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0						

RTTW_000845

Warpath Marina and Resort Center Operations Cash Flow Phase I and IB

Item	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Number of wet rentals	0	0	0	0	0	0	0	0	0	0
Number of drystack rentals	10	0	0	0	0	0	0	0	0	0
Cumulative wet rentals	97	97	97	97	97	97	97	97	97	97
Cumulative drystack rentals	190	190	190	190	190	190	190	190	190	190
Sources of Cash:										
Rental income from wet slips	29,100	29,100	29,100	29,100	29,100	29,100	29,100	29,100	29,100	29,100
Rental from drystack	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000
Gas & oil sales	1,674	4,185	16,740	36,270	50,220	36,270	1,395	1,395	1,395	1,395
Income from repairs, wintenze & cleanup	500	2,000	3,000	500	500	500	500	1,000	3,000	3,000
Rental from rv sites	400	400	500	600	600	600	520	400	320	240
Rental from tent sites	240	300	400	400	400	400	300	200	200	100
Rental from cabins	0	0	0	0	0	0	0	0	0	0
Net income from marina store	1,000	2,000	5,000	8,000	10,000	10,000	3,000	500	500	500
Net income from marina restaurant	5,000	9,000	12,000	15,000	20,000	15,000	15,000	9,000	7,000	7,000
Rental from pavilion	0	0	0	0	0	0	0	0	0	0
Income	94,914	103,985	123,840	146,870	167,820	148,870	106,815	98,595	98,515	98,335
Capital contribuon	0	0	0	0	0	0	0	0	0	0
Total sources of cash	94,914	103,985	123,840	146,870	167,820	148,870	106,815	98,595	98,515	98,335
Uses of Cash:										
Accounting fees	150	150	150	150	150	150	150	150	150	150
Bad debt	237	260	310	367	420	372	267	246	246	246
Bank & credit card charges	380	416	495	587	671	585	427	394	394	393
Dock & drystack repairs	258	258	258	258	258	258	258	258	258	258
Dock & drystack supplies	387	387	387	387	387	387	387	387	387	387
Dues & subscriptions	100	100	100	100	100	100	100	100	100	100
Duke Power lease fee	0	0	0	0	0	0	0	0	0	0
Dumpster	150	150	150	150	150	150	150	150	150	150
Electricity	800	800	800	800	800	800	800	800	800	800
Fuel costs-for sale fuel	1,074	2,685	10,740	23,270	32,220	23,270	895	895	895	895
Fuel dock supplies	100	100	100	100	100	100	100	100	100	100
Insurance-Utility	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Insurance-Property	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Internet	100	100	100	100	100	100	100	100	100	100
Landscape maintenance	300	300	300	300	300	300	300	300	300	300
Legal fees	0	0	0	0	0	0	0	0	0	0
Maintenance & repairs	250	250	250	250	250	250	250	250	250	250
Marketing-other	5,000	0	0	0	0	0	0	0	0	0
Marketing-phone book	250	250	250	250	250	250	250	250	250	250
Marketing-trade pub.	100	100	100	100	100	100	100	100	100	100
Office supplies	25	25	25	25	25	25	25	25	25	25
Phone	125	125	125	125	125	125	125	125	125	125
Pool maintenance	0	0	0	0	0	0	0	0	0	0
Postage & delivery	25	25	25	25	25	25	25	25	25	25
Salaries-management (includes taxes & ins.)	6,583	6,583	6,583	6,583	6,583	6,583	6,583	6,583	6,583	6,583
Salaries-marina, rv & campsite	9,672	12,480	16,120	18,720	19,344	19,344	15,600	3,224	3,120	3,224
Sewer	500	500	500	500	500	500	500	500	500	500
Taxes-property	0	0	0	0	0	0	0	0	0	0
Tools & equipment	100	100	100	100	100	100	100	100	100	100
Travel & entertainment	100	100	100	100	100	100	100	100	100	100
Truck expenses	500	500	500	500	500	500	500	500	500	500
Water	50	50	50	50	50	50	50	50	50	50
Moving & relocation	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
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Other	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total Uses of Cash	31,317	30,795	42,619	57,899	67,609	58,536	32,143	19,714	19,609	19,712
Cash Flow before payment	63,597	73,190	81,221	88,971	100,211	90,334	74,672	78,881	78,906	78,623
Loan payment	(43,917)	(43,917)	(43,917)	(43,917)	(43,917)	(43,917)	(43,917)	(43,917)	(43,917)	(43,917)
Cash flow after payment	19,680	29,273	37,304	45,055	56,294	46,418	30,755	34,964	34,989	34,706
Cumulative cash flow	27,878	57,152	94,456	139,511	195,805	242,223	272,978	307,942	342,931	377,637
Updated										
Created:										

RTTW_000846

Warpath Marina and Resort Center Operations Cash Flow Phase I and IB

[illegible]

RTTW 000847

Warpath Marina and Resort Center Operations Cash Flow Phase I and IB

[illegible]

RTTW 000848

Keowee Marina and Yacht Club

Sale of Project		
Item	Total Project	Per Slip
Net Operating Income (NOI)	\$1,286,843	\$3,217
Capitalization Rate	9.0%	-----
Sales Value	\$14,298,256	\$35,746
Costs:		
Land	0	0
Hard Costs	5,702,400	14,256
Soft Costs	1,655,000	4,138
Total Costs	<u>7,357,400</u>	<u>18,394</u>
Gross Profit	\$6,940,856	\$17,352
Closing Costs @ 3%	428,948	1,072
Net Profit From Sale	<u><u>\$6,511,908</u></u>	<u><u>\$16,280</u></u>
Updated On: 9/22/2008		

RTTW_000568

9/22/2008

1:47 PM

Warpath Marina (2).xls

Warpath Marina and Resort Center

Summary						
Item	@ 95% Occupancy	@ 90% Occupancy	@ 85% Occupancy	@ 80% Occupancy	@ 75% Occupancy	@ 70% Occupancy
Number of Acres	5.00	5.00	5.00	5.00	5.00	5.00
Slips Per Acre	80	80	80	80	80	80
Total Cost	\$7,357,400	\$7,357,400	\$7,357,400	\$7,357,400	\$7,357,400	\$7,357,400
Net Operating Income	\$1,286,843	\$1,210,566	\$1,141,649	\$1,054,766	\$1,003,814	\$916,932
Debt Payment	289,664	289,664	289,664	289,664	289,664	289,664
Excess Cash Flow	\$997,179	\$920,902	\$851,985	\$765,102	\$714,150	\$627,267

Sale of Project:	
Net Sale Price	\$13,869,308
Cost	7,357,400
Profit From Sale	\$6,511,908

Equity Requirements:	
Cost	\$7,357,400
Mortgage	3,000,000
Equity Required	\$4,357,400

This scenario assumes a capital investment of: \$4,357,400

Investors would sign personally for financing.

Mortgage payments are for: \$3,000,000 9.0% 30
(Principal) (Int. Rate) (Term-Years)

Project completion in: 12 months

Updated On: 9/22/2008

RTTW_000570

9/22/2008

1:20 PM

Warpath Marina (2).xls

Warpath Marina and Resort Center

Proforma Income and Expense (Stabilized)			
Item	Annually	%	Per Slip
Income:			
Gross Rental Income	\$1,830,000		\$4,575
Less 5% Vacancy	91,500		229
Effective Gross Income	\$1,738,500		\$4,346
Miscellaneous Income	147,200		368
Total Revenue	\$1,885,700	100%	\$4,714
Expenses:			
Rental	\$80,000	4%	\$200
Payroll	240,000	13%	600
Management Fees	18,857	1%	47
Utilities	40,000	2%	100
Maintenance and Replacement	40,000	2%	100
Property Taxes	120,000	6%	300
Insurance	60,000	3%	150
Total Expenses	\$598,857	32%	\$1,497
Net Operating Income (NOI)	\$1,286,843	68%	\$3,217
Updated On: 9/22/2008			

RTTW_000571

9/22/2008

1:47 PM

Warpath Marina (2).xls

Slip & Cabin Profile				
Type of Slip	# of Slips & Cabins	Monthly Rent	Total Monthly Rent	Total Annual Rent
25'-wet	0	0	0	0
30'-wet	102	370	37,740	452,880
40'-wet	0	0	0	0
100'-wet	0	0	0	0
25'-dry	100	295	29,500	354,000
30'-dry	100	345	34,500	414,000
35'-dry	0	0	0	0
2 bedroom cabin	8	3,200	25,600	307,200
3 bedroom cabin	2	4,000	8,000	96,000
Totals	312	\$434	\$135,340	\$1,624,080
	(Total)	(Average)	(Total)	(Total)
Updated On: 11/14/11				

Other Income

Income Source	Monthly	Annual
Boat rental	3,333	40,000
Cabins	0	0
Cottages	26,585	319,020
Dump fees	0	0
Fuel services profit	20,000	240,000
Hotel-50% vac.	58,552	702,625
Lodge restaurant	10,400	124,800
Marina restaurant	12,000	144,000
Marine repair	5,000	60,000
RV/tent park-60% vac.	17,109	205,313
Ship store profit	2,500	30,000
Storage fees	0	0
	0	0
	0	0
Totals	155,480	1,865,758

CONFIDENTIAL

Warpath-Valuation-000054

Proforma Income and Expense (Stabilized)		
Item	Annually	%
<u>Income:</u>		
Gross Rental Income	\$1,624,080	
Less 5% Vacancy	<u>182,004</u>	
Effective Gross Income	\$1,442,076	
Other Income	<u>1,757,758</u>	
Total Revenue	\$3,199,834	100%
<u>Expenses:</u>		
Rental	0	0%
Marketing	45,000	1%
Payroll	265,000	8%
Management Fees	0	0%
Utilities	70,000	2%
Maintenance and Replacement	65,000	2%
Property Taxes	93,000	3%
Insurance	<u>95,000</u>	<u>3%</u>
Total Expenses	\$633,000	20%
	<u><u>\$2,566,834</u></u>	<u><u>80%</u></u>
Updated On: 11/14/2011		

EXHIBIT 9

W Y C H E

WYCHE BURGESS FREEMAN & PARHAM, P.A.

Attorneys at Law

March 4, 2011

Joshua L. Howard, Esq.
Haynsworth Sinkler & Boyd, P.A.
P.O. Box 2048
Greenville, SC 29602

Re: Andrew (Andy) P. Ballard vs. Tim Roberson, et al.
Case No.: 2008-CP-23-5739

Dear Josh:

Mr. Ballard has expressed these concerns to Mr. Roberson orally. Mr. Ballard has asked that we pass them on in writing to you and your clients.

Mr. Ballard is extremely concerned that delay in the financing and construction of the Warpath project may place the existing permits in jeopardy. Under the contract, your clients have the responsibility for financing and construction of the project. It has been months since the final permit was issued and, as far as we know, financing has not been arranged and construction has not begun.

Mr. Ballard was elected a director by your clients, but to date they have yet to provide him any written information concerning any financing of the project or the timetable for its development and construction. During their conversation, Mr. Roberson provided no specifics to Mr. Ballard, either. Mr. Roberson assured Mr. Ballard generally that the project was proceeding and that the permits were not in jeopardy. However, we do not know the basis for that assurance.

These delays and the failure of your clients to carry out their obligations are adversely affecting the value of Warpath and the value of the stock owned by the shareholders. Mr. Ballard remains concerned that these delays may also place the existing permits in jeopardy.

Sincerely,



Frank S. Holleman III
(864) 242-8340
fholleman@wyche.com

FSH:sc

cc: Mr. Andrew Ballard (via U.S. mail)
Wallace K. Lightsey, Esq. (via email)
Hannah R. Metcalfe, Esq. (via email)



STATE OF SOUTH CAROLINA
COUNTY OF GREENVILLE

IN THE COURT OF COMMON PLEAS
FOR THE THIRTEENTH JUDICIAL CIRCUIT

Andrew P. (Andy) Ballard,

Case Number: 2008-CP-23-5739

Plaintiff,

vs.

Tim Roberson, Rick Thoennes, Rick
Thoennes III, and Warpath Development,
Inc.,

Defendants.

Analysis of Charles L. Alford, Ph. D.

Charles L. Alford, Ph.D.
Overlook Executive Park
109 Laurens Rd.
Building 2, Suite C
Greenville, SC 29607
Office (864) 233-8593
FAX (864) 233-4819
charlie@ela3.com

RECEIVED
AUG 16 2013

August 15, 2013

Judge Edward W. Miller
Greenville County Court House
305 East North St.
Greenville, SC 29601

Re: Warpath Development, Inc.

Dear Judge Miller:

I have read Dr. Woodside's letter to you in which he offers responses to my testimony in this case, and I respectfully submit this reply.

When I first received Dr. Woodside's report, I read it in detail, checked some of the sources, and replicated every step of the mathematical model. And as I had expected, I found very little in the analysis with which I disagreed, and nothing substantive. I concluded right away that the two salient issues were the forecast that had been provided to him by Warpath management and the discount rate which was applicable during the development period prior to the ultimate sale of the project.

Regarding the operating forecast, Dr. Woodside indicated in his report that he had reviewed more than one projection that had been provided by Warpath to prospective investors, that the projection to Dakota Holdings was the most recent, and that it was consistent with previous projections. Additionally, he testified that Mr. Ballard had no basis on which to provide him with any of his own projections. I am sure that under those circumstances, I would have used essentially the same basic cash flow projection that Dr. Woodside used, and therefore the issue of the projection was set aside in my consideration of his work - there appeared to be no alternative projection that should have been used.

The only remaining issue then was the discount rate. Both my knowledge and some reading about the industry confirmed that the required return on equity identified by Dr. Woodside was reasonable. There is no doubt that if I had independently applied the build-up approach, I would have arrived at essentially the same value. The only difference would have been in the subjective assignment of the company-specific risk premium, but even with that variable I would not have differed from Dr. Woodside by more than a couple of percentage points (in either direction) so I would still have arrived at a required return on equity in the 20% - 25% range.

Therefore with no other information I generally agreed with the conclusion reached by Dr. Woodside.

But then, more than a month after I did my preliminary review, I received a copy of the Dakota Holdings *Conditional Loan Commitment*, stating terms as of December 18, 2012. I believed then, and still believe, that this document is highly relevant in a consideration of value. According to the Woodside report, Warpath had sought financing from Dakota Holdings a few months prior to the valuation date and Dakota Holdings appears to have issued two proposals, though I have seen only the one with "restated" terms as of December 18, 2012 (within two weeks of the valuation date). A letter of intent dated December 11, 2012 is also included with the commitment document. *So then I had a document expressing the interest of a real, identifiable investor within two weeks of the valuation date.*

I understand that in a *fair value* determination the Court is not bound by the determination of *fair market value* which should be based on consideration of a *hypothetical* buyer and seller. (For example, in his report [p. 21] Dr. Woodside defines the discount rate as "a hypothetical buyer's required rate of return to invest in common equity capital of the company.") But in fact in this case there is a real, identifiable seller and a real, identifiable prospective buyer. It seems to me that the final test of reasonableness of a conclusion of value must include a comparison with the Dakota Holdings offer.

If the terms of the Dakota Holdings proposal had been a single front-end cash payment for a 50% ownership interest in Warpath, the issue would have been simple. That offer would have established the value in the eyes of an objective third-party investor, and this benchmark fair value could be applied, without discounting, in determining the value of the Ballard holding. If that benchmark value were not substantially different from the appraisal value, it would tend to confirm the appraisal value. If the offer were substantially different, it would bring the appraisal value into question.

Unfortunately, The Dakota Holdings proposal is not comprised of a single front-end payment. Instead, it calls for a series of cash infusions over time, a portion of which will be loans to the entity and the remainder will be investment in preferred stock, convertible upon the ultimate sale of the entity. Perhaps just as unfortunately, only one document regarding the Dakota Holdings prospective investment has been made available. I requested additional documentation, and I am informed that counsel relayed that request, but nothing further was provided. (There was at least one other document because the terms were originally stated on December 11 and then restated on December 18.)

In my view, however, the complexity of the proposed Dakota Holdings terms doesn't negate the usefulness of its offer in assessing the value perceived by an objective, third party investor; it just makes analysis more difficult and less direct. I recognize that the structure of the Dakota Holdings proposal was designed to provide some hedge against risk, and I testified to that fact. But ultimately its hedge was only in the form of earlier returns. The loan was to be secured only by the property. Except for earlier returns in the form of interest and preferred stock dividends, both of which are reflected in my computations, Dakota Holdings' investment returns depended on the ultimate success of the project.

In the final analysis, I determined that based on the Warpath management projection and the terms of the Dakota Holdings commitment, the maximum total return that Dakota

Holdings could have realized on the project from the onset of its participation until the ultimate sale of the property was 11.01%.

This is the point at which I departed from Dr. Woodside's opinion. It seems to me that the value of the Ballard share, or values of shares of any of the other owners, should not be tied to what an unknown hypothetical purchaser may pay, or even what the current owners would themselves pay, but what a real, identifiable purchaser has offered to pay for currently available shares of the stock. In his letter to you, Dr. Woodside indicates that he does "not believe that the 11.01% assumed to be the required rate of return in the Alford valuation adequately reflect [sic] the risk that would be borne by the Warpath equity owners." I of course argue that Dakota Holdings' proposal was that Dakota Holdings would become a Warpath equity owner, so whether or not one's opinion is that the 11.01% return adequately reflects the risk borne by equity owners, it is in fact the total return that the Dakota Holdings proposal would yield to Dakota Holdings as an equity owner, given the Warpath management projection. (As explained below, the 11.01% return is a total return and the return to Dakota Holdings' equity investment can be considerably higher.)

The question remains as to how or why Dakota Holdings would enter a project with a maximum prospective return of only 11.01%. I testified that I could identify only three possible reasons. The first possible reason is that Dakota Holdings would be satisfied with at most an 11.01% return on equity. I doubt that is the case, and I testified accordingly. The second possible reason is that Dakota Holdings actually expects much better performance than that which is reflected in the projection provided to Dr. Woodside. (For Dakota Holdings to realize greater than a 20% return on an unleveraged equity investment, the stabilized net operating income of the venture in year eight would have to be about three times as great as that shown in the projection.) While this is possible, I am unaware of any evidence that this may have been the case. The third possible reason is that Dakota Holdings would have itself leveraged its own investment into Warpath, so that, while the total return on the project would have been at most 11.01%, the return on Dakota Holdings' capital, after meeting its own debt service requirements, would have been higher.

I have enclosed a very simple example showing how a leveraged investment on a one-year project that yields an 11% total return on funds invested can generate a much higher return (23% in the example) on equity invested after debt service payment of principal and interest. While the example that I have shown is oversimplified, the basic principle still applies. Regardless of the extent of leveraging or the cost of debt, if an investment is partly financed with borrowed funds, and if the cost of the debt is less than the total return of the investment, the return on equity will be greater than the total return on the project.

It is critical to note that from a seller's perspective, application of a buyer's offer as a valuation benchmark is not at all affected by whether the buyer will leverage his purchase. Using the example cited by Dr. Woodside in his testimony, if an apartment complex is sold based on a capitalization rate of 10%, then its market value is established based on that rate. It wouldn't be consistent to say that while a buyer is willing to pay 10 times the cash flow (1/.10 capitalization rate), the asset is really worth only about half that amount.

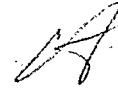
Judge Miller
August 15, 2013; page 4

Dakota Holdings' proposal is based on acquisition of an ultimate 50% ownership interest in Warpath. I understand that the valuation issue before the Court in this case is one of fair value and that consideration of minority interest discount does not apply. It seems inconsistent to me that a valuation of Mr. Ballard's interest would be based on a return to a hypothetical buyer of 22% while the valuation of a 50% interest in the entity, as evidenced by the proposal of Dakota Holdings, is based on a return of at most 11.01%.

My opinion regarding fair value remains the same.

Thank you for your indulgence.

Respectfully,



Charles L. Alford, Ph.D.

CLA/pc

Enclosure

c: Joshua Howard
Wallace Lightsey

Return on Equity in a One-year Leveraged Investment

	Total value of the project	\$ 1,000.00	100.00%	
	Equity investment	\$ 250.00	25.00%	
plus	Funds borrowed	<u>750.00</u>	<u>75.00%</u>	
	Total funds invested	\$ 1,000.00	100.00%	
	Profit before principal and interest payment	\$ 110.00	11.00%	(\$110 cash flow before debt service / \$1,000 total investment)
plus	Return of total funds invested	<u>1,000.00</u>		
	Gross funds returned (initial investment + profit)	\$ 1,110.00		
minus	debt principal repayment	(750.00)		
minus	Interest payment @ 7% of funds borrowed	<u>(52.50)</u>		
	Net funds available to equity investor	\$ 307.50		
	minus Equity investment	<u>(250.00)</u>		
	Profit to equity investor	\$ 57.50	23.00%	(\$57.50 return to equity investor / \$250 capital invested)

TAB 1

SCHEDULE OF DRAWS PER DR. WOODSIDE'S REPORT

Date	Month	Draw
12/31/2012	0	2,691,851
	1	-
	2	-
3/31/2013	3	897,284
	4	-
5/31/2013	5	4,641,251
	6	-
7/31/2013	7	2,145,273
	8	-
9/30/2013	9	2,145,273
	10	-
11/30/2013	11	2,145,273
	12	-
1/31/2014	13	2,145,273
	14	-
3/31/2014	15	2,145,273
	16	-
5/31/2014	17	1,247,989
	18	-
7/31/2014	19	1,247,989
		<u>21,452,729</u>

TAB 2

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 11.01%

Debt Service												Preferred Stock Dividends					Net Cash Flow			Present Value @ 11.01% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out on loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash In - Interest Received	Cash In - Principal Repayment	Ending Balance	Cash out - preferred stock	Preferred Stock Balance	Beginning Preferred Stock Dividend Due	Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash In - Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in - 60% to Dakota	Net Cash (out)/in
(2,691,851)	0	-	-	(1,615,111)	10,767	432,000	2,057,878	-	-	2,057,878	(1,076,740)	1,076,740	-	9,870	9,870	-	9,870	-	-	(2,691,851)
	1	-	2,057,878	-	13,719	-	2,071,597	-	-	2,071,597	-	1,076,740	9,870	9,870	19,740	-	19,740	-	-	-
	2	-	2,071,597	-	13,811	-	2,085,408	-	-	2,085,408	-	1,076,740	19,740	9,870	29,610	-	29,610	-	-	-
(897,284)	3	-	2,085,408	(538,370)	17,492	-	2,641,270	-	-	2,641,270	(358,914)	1,433,654	29,610	13,160	42,771	-	42,771	-	-	(897,284)
	4	-	2,641,270	-	17,608	-	2,658,879	-	-	2,658,879	-	1,433,654	42,771	13,160	55,931	-	55,931	-	-	(874,147)
(4,641,251)	5	-	2,658,879	(2,784,751)	36,291	-	5,479,920	-	-	5,479,920	(1,856,500)	3,292,154	55,931	30,178	86,109	-	86,109	-	-	(4,641,251)
	6	-	5,479,920	-	36,533	-	5,516,453	-	-	5,516,453	-	3,292,154	86,109	30,178	116,287	-	116,287	-	-	(4,443,510)
(2,145,273)	7	-	5,516,453	(1,267,164)	45,357	-	6,845,974	-	-	6,845,974	(858,109)	4,150,264	116,287	38,044	154,331	-	154,331	-	-	(2,145,273)
	8	-	6,845,974	-	45,660	-	6,894,634	-	-	6,894,634	-	4,150,264	154,331	38,044	192,375	-	192,375	-	-	(2,018,414)
(2,145,273)	9	-	6,894,634	(1,267,164)	54,545	-	8,236,343	-	-	8,236,343	(858,109)	5,008,373	192,375	45,910	238,285	-	238,285	-	-	(2,145,273)
	10	-	8,236,343	-	54,909	-	8,291,252	-	-	8,291,252	-	5,008,373	238,285	45,910	284,195	-	284,195	-	-	(1,983,566)
(2,145,273)	11	-	8,291,252	(1,287,164)	63,856	-	9,642,272	-	-	9,642,272	(858,109)	5,866,482	284,195	53,776	337,971	-	337,971	-	-	(2,145,273)
	12	-	9,642,272	-	64,282	-	9,706,554	-	-	9,706,554	-	5,866,482	337,971	53,776	391,747	-	391,747	-	-	(1,949,320)
(2,145,273)	13	-	9,706,554	(1,287,164)	73,291	-	11,067,009	-	-	11,067,009	(858,109)	6,724,591	391,747	61,642	453,389	-	453,389	-	-	(2,145,273)
	14	-	11,067,009	-	73,780	-	11,140,789	-	-	11,140,789	-	6,724,591	453,389	61,642	515,032	-	515,032	-	-	(1,915,665)
(2,145,273)	15	7,213	11,140,789	(1,267,164)	82,853	-	12,510,806	7,213	-	12,503,593	(858,109)	7,582,700	515,032	69,508	584,540	-	584,540	-	-	(2,138,069)
	16	14,426	12,503,593	-	83,357	-	12,586,950	14,426	-	12,572,524	-	7,582,700	584,540	69,508	654,048	-	654,048	-	14,426	12,550
(1,247,989)	17	21,639	12,572,524	(748,793)	88,809	-	13,410,126	21,639	-	13,388,487	(499,196)	8,081,896	654,048	74,084	728,132	-	728,132	-	-	(1,226,350)
	18	28,852	13,388,487	-	89,257	-	13,477,744	28,852	-	13,448,892	-	8,081,896	728,132	74,084	802,216	-	802,216	-	28,852	24,666
(1,247,989)	19	36,065	13,448,892	(748,793)	94,651	-	14,292,336	36,065	-	14,256,271	(499,196)	8,581,092	802,216	78,660	880,876	-	880,876	-	-	(1,211,924)
	20	50,548	14,256,271	-	95,042	-	14,351,313	50,548	-	14,300,765	-	8,581,092	880,876	78,660	959,536	-	959,536	-	50,548	42,469
	21	65,030	14,300,765	-	95,338	-	14,396,104	65,030	-	14,331,074	-	8,581,092	959,536	78,660	1,038,196	-	1,038,196	-	65,030	54,162
	22	79,513	14,331,074	-	95,540	-	14,426,614	79,513	-	14,347,101	-	8,581,092	1,038,196	78,660	1,116,856	-	1,116,856	-	79,513	65,651
	23	93,996	14,347,101	-	95,647	-	14,422,749	93,996	-	14,348,753	-	8,581,092	1,116,856	78,660	1,195,516	-	1,195,516	-	93,996	76,936

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 11.01%

Debt Service											Preferred Stock Dividends					Net Cash Flow				Present Value @:	
Draws	Month	Net Operating Income	Beginning Balance	Cash out loan	Accrued Interest	Points on loan	Adjusted Balance	Cash in Interest Received	Cash in Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Dividend Due	Stock Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in 60% to Dakota	Net Cash (out)/in	Discount Rate
24		108,479	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,195,516	78,660	1,274,176	12,821	1,261,355			108,479	88,020
25		122,961	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,261,355	78,660	1,340,015	27,303	1,312,713			122,961	98,906
26		137,444	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,312,713	78,660	1,391,373	41,786	1,349,587			137,444	109,597
27		151,927	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,349,587	78,660	1,428,247	56,269	1,371,978			151,927	120,696
28		166,409	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,371,978	78,660	1,459,638	70,751	1,379,888			166,409	130,403
29		180,892	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,379,888	78,660	1,488,548	85,234	1,373,314			180,892	140,523
30		195,375	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,373,314	78,660	1,451,974	99,717	1,352,257			195,375	150,458
31		209,858	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,352,257	78,660	1,430,917	114,200	1,316,718			209,858	160,210
32		224,340	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,316,718	78,660	1,395,378	128,682	1,266,696			224,340	169,781
33		238,823	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,266,696	78,660	1,345,356	135,982	1,209,404			238,823	173,704
34		253,305	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,209,404	78,660	1,288,064	143,222	1,144,843			253,305	177,664
35		267,788	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,144,843	78,660	1,223,503	150,492	1,073,011			267,788	181,494
36		282,270	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,073,011	78,660	1,151,671	157,761	993,910			282,270	185,223
37		296,753	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	993,910	78,660	1,072,570	165,031	907,540			296,753	188,885
38		311,235	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	907,540	78,660	986,200	165,031	821,469			311,235	187,247
39		325,718	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	821,469	78,660	899,829	165,031	734,799			325,718	185,624
40		340,200	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	734,799	78,660	813,459	165,031	648,428			340,200	184,014
41		354,683	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	648,428	78,660	727,088	165,031	562,057			354,683	182,419
42		369,165	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	562,057	78,660	640,717	165,031	475,687			369,165	180,837
43		383,648	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	475,687	78,660	554,347	165,031	389,316			383,648	179,270
44		398,130	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	389,316	78,660	467,976	165,031	302,945			398,130	177,715
45		412,613	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	302,945	78,660	381,605	165,031	216,575			412,613	176,175
46		427,095	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	216,575	78,660	295,235	165,031	130,204			427,095	174,647
47		441,578	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	130,204	78,660	208,804	165,031	43,833			441,578	173,133

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 11.01%

		Debt Service										Preferred Stock Dividend				Net Cash Flow				Present Value @ 11.01% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out -- loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in -- Interest Received	Cash in -- Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in -- Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in -- 60% to Dakota	Net Cash (out)/in
	48	265,689	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092	42,835	78,660	122,493	122,493	42,837	25,522	243,674	160,430
	49	265,693	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	149,637
	50	265,693	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	148,340
	51	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	147,054
	52	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	145,779
	53	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	144,515
	54	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	143,262
	55	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	142,020
	56	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	140,788
	57	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	139,568
	58	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	138,358
	59	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	137,158
	60	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	91,585	54,951	229,269	135,969
	61	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	136,666
	62	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	135,481
	63	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	134,306
	64	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	133,142
	65	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	131,988
	66	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	130,843
	67	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	129,709
	68	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	128,584
	69	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	127,469
	70	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	126,364
	71	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092	8,581,092		78,660	78,660	78,660	96,903	58,142	232,460	125,269

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 11.01%

Debt Service												Preferred Stock Dividends					Net Cash Flow				Present Value @ 11.01% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out -- loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in Interest Received	Cash in Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in -- 60% to Dakota	Net Cash (out)/in	
	72	271,221	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	-	78,660	78,660	78,660		96,903	58,142	232,460	124,183
	73	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	124,829
	74	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	123,747
	75	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	122,674
	76	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	121,611
	77	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	120,556
	78	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	119,511
	79	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	118,475
	80	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	117,448
	81	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	116,429
	82	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	115,420
	83	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	114,419
	84	276,645	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		102,327	61,396	235,714	113,427
	85	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	114,027
	86	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	113,039
	87	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	112,059
	88	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	111,087
	89	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	110,124
	90	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	109,169
	91	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	108,223
	92	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	107,285
	93	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	106,354
	94	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	105,432
	95	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	104,518

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 11.01%

-----Debt Service-----											-----Preferred Stock Dividends-----						-----Net Cash Flow-----				Present Value @:
Draws	Month	Net Operating Income	Beginning Balance	Cash out - Loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in - Interest Received	Cash in - Principal Repayment	Ending Balance	Cash out - preferred stock	Preferred Stock Balance	Preferred Stock Dividend Due	11% Annual Rate	Stock Dividend Due	Cash in - Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in - 60% to Dakota	Net Cash (out)/in	Discount Rate
	06	282,178	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092		78,660	78,660	78,660		107,860	64,716	239,034	103,612
(21,452,729)				(12,871,637)				7,389,342			(8,581,092)					6,937,696		2,895,972		(9,514,577)	

Cash in at End of Year Eight										Cash in - Loan		Cash in - 50% Equity		Net Cash in		Present Value @ 11.01% Discount Rate	
NOI TTM	Cap Rate	Sale Value End of Year 8	Selling Cost	Net Sale Proceeds	Principal Return	Sale Proceeds to Equity	Cash in - 50% Equity	Net Cash in									
3,386,136	0.11	30,783,055	1,231,322	29,551,732	14,348,753	15,202,980	7,601,490	21,950,242								9,514,577	

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

TAB 3

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

Loan Repayments from Excess Cash Flow

Annualized Internal Rate of Return* = 10.81%

Debt Service										Preferred Stock Dividends					Net Cash Flow						
Draws	Month	Net Operating Income	Beginning Balance	Cash out loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in Interest Received	Cash in Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in 60% to Dakota	Net Cash (out)/in	Present Value @ 10.81% Discount Rate
(2,691,851)	0	-	-	(1,648,111)	10,767	432,000	2,057,878	-	-	2,057,878	(1,076,740)	1,076,740	-	9,870	9,870	-	9,870	-	-	(2,691,851)	(2,691,851)
	1	-	2,057,878	-	13,719	-	2,071,597	-	-	2,071,597	-	1,076,740	9,870	9,870	19,740	-	19,740	-	-	-	-
	2	-	2,071,597	-	13,811	-	2,085,408	-	-	2,085,408	-	1,076,740	19,740	9,870	29,610	-	29,610	-	-	-	-
(897,284)	3	-	2,085,408	(538,370)	17,492	-	2,641,270	-	-	2,641,270	(358,914)	1,135,654	29,610	13,160	42,771	-	42,771	-	-	(297,254)	(874,542)
	4	-	2,641,270	-	17,608	-	2,658,879	-	-	2,658,879	-	1,135,654	42,771	13,160	55,931	-	55,931	-	-	-	-
(4,641,251)	5	-	2,658,879	(2,384,751)	36,291	-	5,479,920	-	-	5,479,920	(1,856,609)	3,292,154	55,931	30,178	86,109	-	86,109	-	-	(4,641,251)	(4,446,881)
	6	-	5,479,920	-	36,533	-	5,516,453	-	-	5,516,453	-	3,292,154	86,109	30,178	116,287	-	116,287	-	-	-	-
(2,145,273)	7	-	5,516,453	(1,387,164)	45,357	-	6,848,974	-	-	6,848,974	(858,109)	4,150,264	116,287	38,044	154,331	-	154,331	-	-	(2,145,273)	(2,030,538)
	8	-	6,848,974	-	45,660	-	6,894,634	-	-	6,894,634	-	4,150,264	154,331	38,044	192,375	-	192,375	-	-	-	-
(2,145,273)	9	-	6,894,634	(1,287,164)	54,545	-	8,236,343	-	-	8,236,343	(858,109)	5,008,373	192,375	45,910	238,285	-	238,285	-	-	(2,145,273)	(1,986,251)
	10	-	8,236,343	-	54,909	-	8,291,252	-	-	8,291,252	-	5,008,373	238,285	45,910	284,195	-	284,195	-	-	-	-
(2,145,273)	11	-	8,291,252	(1,287,164)	63,856	-	9,642,272	-	-	9,642,272	(858,109)	5,866,482	284,195	53,776	337,971	-	337,971	-	-	(2,145,273)	(1,932,545)
	12	-	9,642,272	-	64,282	-	9,706,554	-	-	9,706,554	-	5,866,482	337,971	53,776	391,747	-	391,747	-	-	-	-
(2,145,273)	13	-	9,706,554	(1,287,164)	73,291	-	11,067,009	-	-	11,067,009	(858,109)	6,724,591	391,747	61,642	453,389	-	453,389	-	-	(2,145,273)	(1,919,412)
	14	-	11,067,009	-	73,780	-	11,140,789	-	-	11,140,789	-	6,724,591	453,389	61,642	515,032	-	515,032	-	-	-	-
(2,145,273)	15	7,213	11,140,789	(1,237,164)	82,853	-	12,510,806	7,213	-	12,503,593	(858,109)	7,582,700	515,032	69,308	584,540	-	584,540	-	-	(2,138,060)	(1,880,496)
	16	14,426	12,503,593	-	83,352	-	12,586,950	14,426	-	12,572,524	-	7,582,700	584,540	69,308	654,048	-	654,048	-	-	14,426	12,580
(1,247,989)	17	21,639	12,572,524	(748,793)	88,809	-	13,410,126	21,639	-	13,388,487	(499,196)	8,081,896	654,048	74,084	728,132	-	728,132	-	-	(1,236,350)	(1,060,313)
	18	28,852	13,388,487	-	89,257	-	13,477,744	28,852	-	13,448,892	-	8,081,896	728,132	74,084	802,216	-	802,216	-	-	28,852	24,733
(1,247,989)	19	36,065	13,448,892	(748,793)	94,651	-	14,292,336	36,065	-	14,256,271	(499,196)	8,581,092	802,216	78,660	880,876	-	880,876	-	-	(1,211,924)	(1,030,859)
	20	50,548	14,256,271	-	95,042	-	14,351,313	50,548	-	14,300,765	-	8,581,092	880,876	78,660	959,536	-	959,536	-	-	50,548	42,597
	21	65,030	14,300,765	-	95,338	-	14,396,104	65,030	-	14,331,074	-	8,581,092	959,536	78,660	1,038,196	-	1,038,196	-	-	65,030	54,333
	22	79,513	14,331,074	-	95,540	-	14,426,614	79,513	-	14,347,101	-	8,581,092	1,038,196	78,660	1,116,856	-	1,116,856	-	-	79,513	65,868

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

Loan Repayments from Excess Cash Flow

Annualized Internal Rate of Return* = 10.81%

Debt Service												Preferred Stock Dividends					Net Cash Flow			Present Value @	
Draws	Month	Net Operating Income	Beginning Balance	Cash out - loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in Interest Received	Cash in Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Preferred Stock Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in - Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOT minus debt service minus preferred dividend payment	Cash in - 60% to Dakota	Net Cash (out)/in	Discount Rate
	23	93,996	14,347,101		95,617		14,442,749	93,996		14,348,753		8,581,092	1,116,856	78,660	1,195,516		1,195,516			93,996	77,202
	24	108,479	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,195,516	78,660	1,274,176		1,274,176			108,479	88,338
	25	122,961	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,261,555	78,660	1,340,015		1,340,015			122,961	99,278
	26	137,444	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,312,713	78,660	1,391,373		1,391,373			137,444	110,026
	27	151,927	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,349,587	78,660	1,428,247		1,428,247			151,927	120,594
	28	166,409	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,371,978	78,660	1,450,638		1,450,638			166,409	130,953
	29	180,892	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,379,888	78,660	1,458,548		1,458,548			180,892	141,137
	30	195,375	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,373,514	78,660	1,451,974		1,451,974			195,375	151,138
	31	209,858	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,352,257	78,660	1,430,917		1,430,917			209,858	160,959
	32	224,340	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,316,718	78,660	1,395,378		1,395,378			224,340	170,600
	33	231,610	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,266,696	78,660	1,345,356		1,345,356			231,610	174,628
	34	238,880	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,209,404	78,660	1,288,064		1,288,064			238,880	178,574
	35	246,150	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,144,843	78,660	1,223,503		1,223,503			246,150	182,441
	36	253,419	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,073,011	78,660	1,151,671		1,151,671			253,419	186,228
	37	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	993,910	78,660	1,072,570		1,072,570			260,689	189,938
	38	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	907,540	78,660	986,200		986,200			260,689	188,320
	39	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	821,169	78,660	899,829		899,829			260,689	186,715
	40	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	731,799	78,660	813,459		813,459			260,689	185,124
	41	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	648,428	78,660	727,088		727,088			260,689	183,547
	42	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	562,057	78,660	640,717		640,717			260,689	181,983
	43	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	475,687	78,660	554,347		554,347			260,689	180,432
	44	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	389,316	78,660	467,976		467,976			260,689	178,895
	45	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	302,945	78,660	381,605		381,605			260,689	177,370

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0.
It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment Eight Year Deal

Loan Repayments from Excess Cash Flow

Annualized Internal Rate of Return* = 10.81%

Debt Service										Preferred Stock Dividends					Net Cash Flow				Present Value @ 10.81% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in Interest Received	Cash in Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Dividend Due	Dividend Earned at 11% Annual Rate	Cash in Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend 60% to Dakota	Cash in -- Net Cash (out)/in	
46		260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	215,575	78,660	295,235	165,031	130,204	260,689	175,859
47		260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	130,204	78,660	208,864	165,031	43,833	260,689	174,360
48		260,689	14,348,753		95,658		14,444,411	95,658	42,537	14,306,215		8,581,092	43,833	78,660	122,493			260,689	172,875
49		265,903	14,306,215		95,375		11,401,590	95,375	91,968	14,214,347		8,581,092		78,660	78,660	78,660		265,903	174,830
50		265,903	14,214,347		91,762		14,309,109	91,762	92,491	14,216,866		8,581,092		78,660	78,660	78,660		265,903	173,340
51		265,903	14,216,866		94,146		11,216,012	94,146	93,097	14,028,769		8,581,092		78,660	78,660	78,660		265,903	171,863
52		265,903	14,028,769		93,525		14,122,294	93,525	93,718	13,935,051		8,581,092		78,660	78,660	78,660		265,903	170,398
53		265,903	13,935,051		92,960		14,027,952	92,960	94,343	13,840,709		8,581,092		78,660	78,660	78,660		265,903	168,946
54		265,903	13,840,709		92,271		13,942,980	92,271	94,972	13,745,737		8,581,092		78,660	78,660	78,660		265,903	167,507
55		265,903	13,745,737		91,638		13,837,375	91,638	95,605	13,650,132		8,581,092		78,660	78,660	78,660		265,903	166,080
56		265,903	13,650,132		91,091		13,741,133	91,091	96,242	13,553,890		8,581,092		78,660	78,660	78,660		265,903	164,664
57		265,903	13,553,890		90,359		13,644,249	90,359	96,884	13,457,006		8,581,092		78,660	78,660	78,660		265,903	163,261
58		265,903	13,457,006		89,713		13,546,720	89,713	97,530	13,359,477		8,581,092		78,660	78,660	78,660		265,903	161,870
59		265,903	13,359,477		89,063		13,448,540	89,063	98,180	13,261,297		8,581,092		78,660	78,660	78,660		265,903	160,491
60		265,903	13,261,297		88,409		13,349,766	88,409	98,834	13,162,463		8,581,092		78,660	78,660	78,660		265,903	159,123
61		271,221	13,162,463		87,750		13,250,212	87,750	104,811	13,057,651		8,581,092		78,660	78,660	78,660		271,221	160,923
62		271,221	13,057,651		87,051		13,141,702	87,051	105,510	12,952,141		8,581,092		78,660	78,660	78,660		271,221	159,551
63		271,221	12,952,141		86,348		13,038,489	86,348	106,213	12,845,928		8,581,092		78,660	78,660	78,660		271,221	158,192
64		271,221	12,845,928		85,640		12,911,568	85,640	106,921	12,739,007		8,581,092		78,660	78,660	78,660		271,221	156,844
65		271,221	12,739,007		84,927		12,823,913	84,927	107,634	12,631,372		8,581,092		78,660	78,660	78,660		271,221	155,507
66		271,221	12,611,372		84,209		12,715,581	84,209	108,352	12,523,021		8,581,092		78,660	78,660	78,660		271,221	154,182
67		271,221	12,523,021		83,487		12,606,507	83,487	109,074	12,413,946		8,581,092		78,660	78,660	78,660		271,221	152,869
68		271,221	12,413,946		82,760		12,496,706	82,760	109,801	12,304,145		8,581,092		78,660	78,660	78,660		271,221	151,566

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment
Eight Year Deal

Loan Repayments from Excess Cash Flow
Annualized Internal Rate of Return* = 10.81%

Debt Service												Preferred Stock Dividend				Net Cash Flow				Present Value (\$)	10.81% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out -- loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in -- Interest Received	Cash in -- Principal Repayment	Ending Balance	Cash out -- preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Preferred Stock Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in -- Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in -- 60% to Dakota		
	69	271,221	12,304,145		82,028		12,386,173	82,028	110,533	12,193,612		8,581,092		78,660	78,660	78,660				271,221	150,275
	70	271,221	12,193,612		81,291		12,274,902	81,291	111,270	12,082,341		8,581,092		78,660	78,660	78,660				271,221	148,994
	71	271,221	12,082,341		80,549		12,162,890	80,549	112,012	11,970,329		8,581,092		78,660	78,660	78,660				271,221	147,724
	72	271,221	11,970,329		79,802		12,050,131	79,802	112,789	11,857,571		8,581,092		78,660	78,660	78,660				271,221	146,466
	73	276,645	11,857,571		79,050		11,936,621	79,050	118,935	11,738,636		8,581,092		78,660	78,660	78,660				276,645	145,122
	74	276,645	11,738,636		78,258		11,816,894	78,258	119,727	11,618,909		8,581,092		78,660	78,660	78,660				276,645	143,860
	75	276,645	11,618,909		77,459		11,696,368	77,459	120,526	11,498,383		8,581,092		78,660	78,660	78,660				276,645	142,608
	76	276,645	11,498,383		76,656		11,575,039	76,656	121,329	11,297,054		8,581,092		78,660	78,660	78,660				276,645	141,367
	77	276,645	11,377,054		75,847		11,452,901	75,847	122,138	11,254,916		8,581,092		78,660	78,660	78,660				276,645	140,137
	78	276,645	11,254,916		75,033		11,329,919	75,033	122,952	11,131,964		8,581,092		78,660	78,660	78,660				276,645	138,918
	79	276,645	11,131,964		74,213		11,206,177	74,213	123,772	11,008,192		8,581,092		78,660	78,660	78,660				276,645	137,708
	80	276,645	11,008,192		73,388		11,081,580	73,388	124,597	10,883,595		8,581,092		78,660	78,660	78,660				276,645	136,509
	81	276,645	10,883,595		72,557		10,956,132	72,557	125,428	10,758,167		8,581,092		78,660	78,660	78,660				276,645	135,321
	82	276,645	10,758,167		71,721		10,829,888	71,721	126,264	10,631,903		8,581,092		78,660	78,660	78,660				276,645	134,142
	83	276,645	10,631,903		70,879		10,702,782	70,879	127,106	10,504,797		8,581,092		78,660	78,660	78,660				276,645	132,973
	84	276,645	10,504,797		70,032		10,574,829	70,032	127,953	10,376,844		8,581,092		78,660	78,660	78,660				276,645	131,815
	85	282,178	10,376,844		69,179		10,446,023	69,179	134,339	10,242,505		8,581,092		78,660	78,660	78,660				282,178	130,667
	86	282,178	10,242,505		68,283		10,310,789	68,283	135,235	10,107,271		8,581,092		78,660	78,660	78,660				282,178	129,529
	87	282,178	10,107,271		67,382		10,174,653	67,382	136,136	9,971,135		8,581,092		78,660	78,660	78,660				282,178	128,399
	88	282,178	9,971,135		66,474		10,037,609	66,474	137,044	9,834,091		8,581,092		78,660	78,660	78,660				282,178	127,276
	89	282,178	9,834,091		65,561		9,899,651	65,561	137,957	9,696,133		8,581,092		78,660	78,660	78,660				282,178	126,159
	90	282,178	9,696,133		64,641		9,760,774	64,641	138,877	9,557,256		8,581,092		78,660	78,660	78,660				282,178	125,047
	91	282,178	9,557,256		63,715		9,620,971	63,715	139,803	9,417,453		8,581,092		78,660	78,660	78,660				282,178	123,939

*Internal rate of return is the discount rate that yields net present value of each flows paid out and received equal to 0
It is the estimated return on investment of a project, based on projected cash flows

Dakota Holdings LLC Conditional Loan Commitment

Eight Year Deal

Loan Repayments from Excess Cash Flow

Annualized Internal Rate of Return* = 10.81%

Debt Service										Preferred Stock Dividends					Net Cash Flow				Present Value @ 10.81% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash In Interest Received	Cash In Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Preferred Stock Dividend Due	Cumulative Preferred Stock Dividend Received	Cash In Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash In 60% to Dakota	Net Cash (out/in)
	92	282,178	9,417,453		62,783		9,480,236	62,783	140,735	9,276,718		8,581,092	78,660	78,660	78,660			262,178	128,412
	93	282,178	9,276,718		61,845		9,338,563	61,845	141,673	9,135,045		8,581,092	78,660	78,660	78,660			262,178	127,318
	94	282,178	9,135,045		60,900		9,195,945	60,900	142,618	8,992,428		8,581,092	78,660	78,660	78,660			262,178	126,233
	95	282,178	8,992,428		59,950		9,052,377	59,950	143,569	8,848,859		8,581,092	78,660	78,660	78,660			262,178	125,157
	96	282,178	8,848,859		58,992		8,907,851	58,992	144,526	8,704,333		8,581,092	78,660	78,660	78,660			262,178	124,091
		(121,452,729)		(12,871,637)				6,567,543	5,644,419		(8,581,092)				6,937,696				(8,411,762)

Cash in -- Loan										Present Value @ 10.81% Discount Rate	
NOI ITM	Cap Rate	Sale Value End of Year 8	Selling Cost	Net Sale Proceeds	Principal Return	Sale Proceeds to Equity	Cash In 50% Equity	Net Cash in			
3,385,136	0.11	30,783,065	1,231,322	29,551,732	8,704,333	20,847,399	10,423,699	19,128,033	8,411,762		

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

TAB 4

Dakota Holdings LLC Conditional Loan Commitment

Five Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 9.05%

Debt Service										Preferred Stock Dividends					Net Cash Flow					Present Value @ 9.05% Discount Rate	
Draws	Month	Net Operating Income	Beginning Balance	Cash out - Debt	Accrued Interest	Points on Loan	Adjusted Balance	Cash in - Interest Received	Cash in - Principal Repayment	Ending Balance	Cash out - preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Preferred Stock Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in - Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash In - 60% to Dakota	Net Cash (out)/in	9.05% Discount Rate
(2,691,851)	0			(1,615,111)	10,767	432,000	2,057,878			2,057,878	(1,076,740)	1,076,740		9,870	9,870		9,870			(2,691,851)	(2,691,851)
	1		2,057,878		13,919		2,071,597			2,071,597		1,076,740	9,870	9,870	19,740		19,740				
	2		2,071,597		13,811		2,085,408			2,085,408		1,076,740	19,740	9,870	29,610		29,610				
(897,284)	3		2,085,408	(538,370)	17,492		2,641,270			2,641,270	(358,914)	1,435,654	29,610	13,160	42,771		42,771			(897,284)	(897,284)
	4		2,641,270		17,608		2,658,879			2,658,879		1,435,654	42,771	13,160	55,931		55,931				
(4,611,251)	5		2,658,879	(1,754,751)	36,291		5,479,920			5,479,920	(1,856,500)	3,292,154	55,931	30,178	86,109		86,109			(4,611,251)	(4,611,251)
	6		5,479,920		36,533		5,516,453			5,516,453		3,292,154	86,109	30,178	116,287		116,287				
(2,145,273)	7		5,516,453	(1,287,164)	45,357		6,848,974			6,848,974	(858,109)	4,150,264	116,287	38,044	154,331		154,331			(2,145,273)	(2,145,273)
	8		6,848,974		45,069		6,891,631			6,891,631		4,150,264	154,331	38,044	192,375		192,375				
(2,145,273)	9		6,891,631	(1,287,164)	51,545		8,236,343			8,236,343	(858,109)	5,008,373	192,375	45,910	238,285		238,285			(2,145,273)	(2,145,273)
	10		8,236,343		54,909		8,291,252			8,291,252		5,008,373	238,285	45,910	284,195		284,195				
(2,145,273)	11		8,291,252	(1,287,164)	63,856		9,642,272			9,642,272	(858,109)	5,866,482	284,195	53,776	337,971		337,971			(2,145,273)	(2,145,273)
	12		9,642,272		64,282		9,706,554			9,706,554		5,866,482	337,971	53,776	391,747		391,747				
(2,145,273)	13		9,706,554	(1,287,164)	73,291		11,067,009			11,067,009	(858,109)	6,724,591	391,747	61,642	453,389		453,389			(2,145,273)	(2,145,273)
	14		11,067,009		73,780		11,140,789			11,140,789		6,724,591	453,389	61,642	515,032		515,032				
(2,145,273)	15	7,213	11,140,789	(1,287,164)	82,853		12,510,806	7,213		12,503,593	(858,109)	7,582,700	515,032	69,508	584,540		584,540			(2,145,273)	(2,145,273)
	16	14,426	12,503,593		83,357		12,586,950	14,426		12,572,524		7,582,700	584,540	69,508	654,048		654,048			14,426	12,583
(1,247,989)	17	21,639	12,572,524	(748,793)	88,809		13,410,126	21,639		13,388,487	(499,196)	8,081,896	654,048	74,084	728,132		728,132			(1,247,989)	(1,247,989)
	18	28,852	13,388,487		89,257		13,477,744	28,852		13,448,892		8,081,896	728,132	74,084	802,216		802,216			28,852	13,474
(1,247,989)	19	36,065	13,448,892	(748,793)	94,651		14,292,336	36,065		14,256,271	(499,196)	8,581,092	802,216	78,660	880,876		880,876			(1,247,989)	(1,247,989)
	20	50,548	14,256,271		95,042		14,351,313	50,548		14,300,765		8,581,092	880,876	78,660	959,536		959,536			50,548	14,351
	21	65,030	14,300,765		95,338		14,396,104	65,030		14,341,074		8,581,092	959,536	78,660	1,038,196		1,038,196			65,030	14,396
	22	79,513	14,341,074		95,540		14,436,614	79,513		14,387,101		8,581,092	1,038,196	78,660	1,116,856		1,116,856			79,513	14,436

* Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment as a percent, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment

Five Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 9.05%

Debt Service											Preferred Stock Dividends						Net Cash Flow				Present Value @ 9.05% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out -- loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in -- Interest Received	Cash in -- Principal Repayment	Ending Balance	Cash out -- preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Dividend Earned at 11% Annual Dividend Rate	Cumulative Preferred Stock Dividend Due	Cash in -- Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in -- 60% to Dakota	Net Cash (out)/in	
23	93,996	14,348,753		93,658			14,442,411	93,996		14,348,753	8,581,092	8,581,092	1,116,856	78,660	1,195,516		1,195,516			93,996	79,621
24	108,479	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,195,516	78,660	1,274,176	12,821	1,261,355			108,479	91,228
25	122,961	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,201,355	78,660	1,340,013	27,303	1,312,713			122,961	103,663
26	137,444	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,312,713	78,660	1,401,373	41,786	1,349,587			137,444	113,930
27	151,927	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,349,587	78,660	1,428,247	56,269	1,371,978			151,927	125,030
28	166,409	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,371,978	78,660	1,450,638	70,751	1,379,888			166,409	135,964
29	180,892	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,379,888	78,660	1,458,518	85,234	1,373,154			180,892	146,734
30	195,375	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,373,154	78,660	1,451,874	99,717	1,352,257			195,375	157,343
31	209,858	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,352,257	78,660	1,450,917	114,200	1,316,718			209,858	167,791
32	224,341	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,316,718	78,660	1,453,378	128,682	1,266,696			224,341	178,080
33	238,824	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,266,696	78,660	1,445,356	135,952	1,209,404			238,824	188,529
34	253,307	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,209,404	78,660	1,288,064	143,222	1,144,843			253,307	199,005
35	267,790	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,145,853	78,660	1,221,503	150,492	1,073,011			267,790	209,481
36	282,273	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	1,073,011	78,660	1,151,671	157,761	993,010			282,273	219,957
37	296,756	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	993,010	78,660	1,072,570	165,031	907,540			296,756	230,433
38	311,239	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	907,540	78,660	986,200	165,031	821,169			311,239	240,909
39	325,722	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	821,169	78,660	899,829	165,031	734,799			325,722	251,385
40	340,205	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	734,799	78,660	811,459	165,031	648,428			340,205	261,861
41	354,688	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	648,428	78,660	727,088	165,031	562,057			354,688	272,337
42	369,171	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	562,057	78,660	640,747	165,031	475,687			369,171	282,813
43	383,654	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	475,687	78,660	554,317	165,031	389,316			383,654	293,289
44	398,137	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	389,316	78,660	467,976	165,031	302,945			398,137	303,765
45	412,620	14,348,753		93,658			14,442,411	93,658		14,348,753	8,581,092	8,581,092	302,945	78,660	381,605	165,031	216,575			412,620	314,241

*Internal rate of return is the discount rate that yields a net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of this project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment

Five Year Deal

No Loan Repayment Until Final Sale

Annualized Internal Rate of Return* = 9.05%

Debt Service										Preferred Stock Dividend							Net Cash Flow		Present Value @ 9.05% Discount Rate	
Draws	Month	Net Operating Income	Beginning Balance	Cash out loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in Interest Received	Cash in Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Cumulative Preferred Stock Dividend Due	Preferred Stock Dividend Received	Cash in Preferred Stock Dividend	Ending Preferred Stock Dividend Due	NOT income debt service minus preferred dividend payment	Cash in 60% to Dakota		Net Cash (out)/in
	46	260,689	14,348,753		95,658		14,348,753	95,658		14,348,753	8,581,092	216,575	78,660	295,235	1165,031	130,204			260,689	187,049
	47	260,689	14,348,753		95,658		14,348,753	95,658		14,348,753	8,581,092	130,204	78,660	208,861	1165,031	45,853			260,689	185,704
	48	260,689	14,348,753		95,658		14,348,753	95,658		14,348,753	8,581,092	45,853	78,660	122,493	1165,031		42,537	25,922	243,674	172,335
	49	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	279,269	160,981
	50	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	159,824
	51	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	158,675
	52	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	157,534
	53	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	156,401
	54	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	155,276
	55	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	154,160
	56	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	153,051
	57	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	151,951
	58	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	150,855
	59	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	149,773
	60	265,903	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		78,660	78,660	78,660		91,585	54,951	229,269	148,697
(21,452,729)				(12,871,637)				3,936,641			(8,581,092)				4,105,936			684,932		(13,683,493)

Cash in at End of Year 5										Cash in - Loan		Present Value @ 9.05% Discount Rate	
NOI TIM	Cap Rate	Sale Value End of Year 5	Selling Cost	Net Sale Proceeds	Principal Return	Sale Proceeds to Equity	Cash in - 50% Equity	Net Cash in					
3,190,836	0.11	29,007,600	1,160,304	27,847,296	14,348,753	13,498,543	6,749,272	21,098,034				13,683,493	

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

TAB 5

Dakota Holdings LLC Conditional Loan Commitment
Five Year Deal
Loan Repayments from Excess Cash Flow
Annualized Internal Rate of Return* = 8.94%

Debt Service											Preferred Stock Dividends					Net Cash Flow					
Draws	Month	Net Operating Income	Beginning Balance	Cash out - loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in - Interest Received	Cash in - Principal Repayment	Ending Balance	Cash out - preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Dividend Due	Dividend Earned at 11% Annual Rate	Cumulative Preferred Dividend Due	Cash in - Preferred Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in - 60% to Dakota	Net Cash (out)/in	Present Value @ 8.91% Discount Rate
(2,691,851)	0	-	-	(1,615,111)	10,767	432,050	2,057,878	-	-	2,057,878	(1,076,740)	(1,076,740)	-	9,870	9,870	-	9,870	-	-	(2,691,851)	(2,691,851)
	1	-	2,057,878	-	13,719	-	2,071,597	2,071,597	-	2,071,597	(1,076,740)	-	9,870	9,870	219,740	-	19,740	-	-	-	-
	2	-	2,071,597	-	15,811	-	2,085,408	2,085,408	-	2,085,408	(1,076,740)	-	9,870	9,870	29,610	-	29,610	-	-	-	-
(897,284)	3	-	2,085,408	(538,376)	17,492	-	2,641,270	-	-	2,641,270	(358,914)	1,435,654	2,9610	113,160	42,771	-	42,771	-	-	(897,284)	(897,284)
	4	-	2,641,270	-	17,608	-	2,658,879	2,658,879	-	2,658,879	(1,435,654)	-	42,771	113,160	55,931	-	55,931	-	-	-	-
(4,641,251)	5	-	2,658,879	(2,784,751)	36,291	-	5,479,920	-	-	5,479,920	(1,856,500)	3,623,420	55,931	30,178	86,109	-	86,109	-	-	(4,641,251)	(4,641,251)
	6	-	5,479,920	-	36,533	-	5,516,453	5,516,453	-	5,516,453	(3,623,420)	-	86,109	30,178	116,287	-	116,287	-	-	-	-
(3,145,273)	7	-	5,516,453	(1,787,164)	45,357	-	6,848,974	-	-	6,848,974	(858,109)	4,180,264	116,287	38,044	154,331	-	154,331	-	-	(3,145,273)	(3,145,273)
	8	-	6,848,974	-	45,660	-	6,894,634	6,894,634	-	6,894,634	(4,180,264)	-	154,331	38,044	192,375	-	192,375	-	-	-	-
(2,145,273)	9	-	6,894,634	(1,287,164)	54,543	-	8,236,343	-	-	8,236,343	(858,109)	5,008,373	192,375	45,910	238,285	-	238,285	-	-	(2,145,273)	(2,145,273)
	10	-	8,236,343	-	54,909	-	8,291,252	8,291,252	-	8,291,252	(5,008,373)	-	238,285	45,910	284,195	-	284,195	-	-	-	-
(2,145,273)	11	-	8,291,252	(1,287,164)	63,856	-	9,642,272	-	-	9,642,272	(858,109)	5,866,482	284,195	53,776	337,971	-	337,971	-	-	(2,145,273)	(2,145,273)
	12	-	9,642,272	-	64,282	-	9,706,554	9,706,554	-	9,706,554	(5,866,482)	-	337,971	53,776	391,747	-	391,747	-	-	-	-
(2,145,273)	13	-	9,706,554	(1,287,164)	73,291	-	11,067,009	-	-	11,067,009	(858,109)	6,724,591	391,747	61,642	453,389	-	453,389	-	-	(2,145,273)	(2,145,273)
	14	-	11,067,009	-	73,780	-	11,140,789	11,140,789	-	11,140,789	(6,724,591)	-	453,389	61,642	515,032	-	515,032	-	-	-	-
(2,145,273)	15	7,213	11,140,789	(1,287,164)	82,853	-	12,510,806	7,213	-	12,503,593	(858,109)	7,582,700	515,032	69,508	584,540	-	584,540	-	-	(2,138,060)	(1,921,109)
	16	14,426	12,503,593	-	83,357	-	12,586,950	14,426	-	12,572,524	-	7,552,700	584,540	69,508	654,048	-	654,048	-	-	14,426	12,870
(1,247,989)	17	21,639	12,572,524	(748,793)	88,809	-	13,410,126	21,639	-	13,388,487	(499,196)	8,081,896	654,048	74,084	728,132	-	728,132	-	-	(1,226,350)	(1,086,302)
	18	28,852	13,388,487	-	89,257	-	13,477,744	28,852	-	13,448,892	-	8,081,896	728,132	74,084	802,216	-	802,216	-	-	28,852	25,375
(1,247,989)	19	36,065	13,448,892	(748,793)	94,651	-	14,292,136	36,065	-	14,256,071	(499,196)	8,581,092	802,216	78,660	880,876	-	880,876	-	-	(1,211,974)	(1,058,318)
	20	50,548	14,256,071	-	95,042	-	14,351,113	50,548	-	14,300,565	-	8,581,092	880,876	78,660	959,536	-	959,536	-	-	50,548	43,828
	21	65,630	14,300,565	-	95,338	-	14,396,104	65,630	-	14,331,074	-	8,581,092	959,536	78,660	1,038,196	-	1,038,196	-	-	65,630	57,983
	22	79,513	14,331,074	-	95,540	-	14,426,614	79,513	-	14,347,101	-	8,581,092	1,038,196	78,660	1,116,856	-	1,116,856	-	-	79,513	67,965

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment

Five Year Deal

Loan Repayments from Excess Cash Flow

Annualized Internal Rate of Return* = 8.94%.

Debt Service										Preferred Stock Dividends					Net Cash Flow					Present Value @ 8.94% Discount Rate
Draws	Month	Net Operating Income	Beginning Balance	Cash out loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in Interest Received	Cash in Principal Repayment	Ending Balance	Cash out preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Preferred Stock Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in 60% to Dakota	
	23	93,996	14,347,101		95,647		14,442,749	93,996		14,348,753		8,581,092	1,116,836	78,660	1,195,516		1,195,516		93,996	79,773
	24	108,179	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,195,516	78,660	1,274,176	12,821	1,261,355		108,479	91,411
	25	122,961	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,261,355	78,660	1,340,015	127,303	1,312,713		122,961	102,578
	26	137,424	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,312,713	78,660	1,391,973	41,786	1,349,387		137,444	114,178
	27	151,927	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,349,387	78,660	1,428,247	56,269	1,371,978		151,927	125,312
	28	166,409	14,348,753		95,658		14,444,411	95,658		14,318,753		8,581,092	1,371,978	78,660	1,450,638	70,751	1,379,888		166,409	136,281
	29	180,892	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,379,888	78,660	1,458,548	85,234	1,373,314		180,892	147,039
	30	195,375	14,348,753		95,658		14,444,411	95,658		14,318,753		8,581,092	1,373,314	78,660	1,451,974	99,717	1,352,257		195,375	157,737
	31	209,858	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,352,257	78,660	1,430,917	114,200	1,316,718		209,858	168,225
	32	224,340	14,348,753		95,658		14,444,411	95,658		14,318,753		8,581,092	1,316,718	78,660	1,395,378	128,682	1,266,696		224,340	178,556
	33	238,820	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,266,696	78,660	1,345,356	135,952	1,209,404		231,610	183,032
	34	253,305	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,209,404	78,660	1,288,064	143,222	1,144,843		238,820	187,436
	35	246,150	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,144,843	78,660	1,223,503	150,492	1,073,011		246,150	191,767
	36	253,419	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	1,073,011	78,660	1,151,671	157,761	993,910		253,419	196,027
	37	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	993,910	78,660	1,072,570	165,031	907,540		260,689	200,217
	38	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	907,540	78,660	986,200	165,031	821,169		260,689	198,794
	39	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	821,169	78,660	899,820	165,031	734,790		260,689	197,381
	40	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	734,790	78,660	813,459	165,031	648,428		260,689	195,978
	41	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	648,428	78,660	727,088	165,031	562,057		260,689	194,585
	42	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	562,057	78,660	640,717	165,031	475,687		260,689	193,202
	43	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	475,687	78,660	554,347	165,031	389,316		260,689	191,829
	44	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	389,316	78,660	467,976	165,031	302,945		260,689	190,466
	45	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753		8,581,092	302,945	78,660	381,605	165,031	216,575		260,689	189,112

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0.
It is the estimated return on investment of a project, based on projected cash flows.

Dakota Holdings LLC Conditional Loan Commitment Five Year Deal

Loan Repayments from Excess Cash Flow Annualized Internal Rate of Return* = 8.94%

Debt Service										Preferred Stock Dividends						Net Cash Flow						
Draws	Month	Net Operating Income	Beginning Balance	Cash out -- loan	Accrued Interest	Points on Loan	Adjusted Balance	Cash in -- Interest Received	Cash in -- Principal Repayment	Ending Balance	Cash out -- preferred stock	Preferred Stock Balance	Beginning Cumulative Preferred Stock Dividend Due	Stock Dividend Earned at 11% Annual Rate	Cumulative Preferred Stock Dividend Due	Cash in -- Preferred Stock Dividend Received	Ending Preferred Stock Dividend Due	NOI minus debt service minus preferred dividend payment	Cash in -- 60% to Dakota	Net Cash (out)/in	Present Value @ 8.94% Discount Rate	
	46	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		216,575	78,660	295,235	165,031	130,204		260,689		260,689	187,768
	47	260,689	14,348,753		95,658		14,444,411	95,658		14,348,753	8,581,092		130,204	78,660	208,864	165,031	43,833		260,689		260,689	186,433
	48	260,689	14,348,753		95,658		14,444,411	95,658	42,537	14,306,215	8,581,092		43,833	78,660	122,493	122,493			260,689		260,689	185,105
	49	265,903	14,306,215		95,375		14,301,590	95,375	91,868	14,214,347	8,581,092			78,660	78,660	78,660			265,903		265,903	187,465
	50	265,903	14,214,347		94,762		14,309,109	94,762	92,481	14,121,866	8,581,092			78,660	78,660	78,660			265,903		265,903	186,136
	51	265,903	14,121,866		94,149		14,216,012	94,146	93,097	14,028,769	8,581,092			78,660	78,660	78,660			265,903		265,903	184,813
	52	265,903	14,028,769		93,525		14,122,294	93,525	93,718	13,935,051	8,581,092			78,660	78,660	78,660			265,903		265,903	183,499
	53	265,903	13,935,051		92,900		14,027,952	92,900	94,343	13,840,709	8,581,092			78,660	78,660	78,660			265,903		265,903	182,195
	54	265,903	13,840,709		92,271		13,932,980	92,271	94,972	13,745,737	8,581,092			78,660	78,660	78,660			265,903		265,903	180,900
	55	265,903	13,745,737		91,638		13,837,375	91,638	95,605	13,650,132	8,581,092			78,660	78,660	78,660			265,903		265,903	179,614
	56	265,903	13,650,132		91,001		13,741,133	91,001	96,242	13,553,890	8,581,092			78,660	78,660	78,660			265,903		265,903	178,338
	57	265,903	13,553,890		90,359		13,644,249	90,359	96,884	13,457,006	8,581,092			78,660	78,660	78,660			265,903		265,903	177,070
	58	265,903	13,457,006		89,713		13,546,720	89,713	97,530	13,359,177	8,581,092			78,660	78,660	78,660			265,903		265,903	175,811
	59	265,903	13,359,177		89,063		13,448,540	89,063	98,180	13,261,297	8,581,092			78,660	78,660	78,660			265,903		265,903	174,562
	60	265,903	13,261,297		88,409		13,349,706	88,409	98,834	13,162,463	8,581,092			78,660	78,660	78,660			265,903		265,903	173,321
(21,452,729)								3,891,904	1,186,290		(8,581,092)					4,105,936						(13,365,507)

Cash in at End of Year Five									
NOI TIM	Cap Rate	Sale Value	Selling Cost	Net Sale Proceeds	Principal	Sale Proceeds to Equity	Cash in -- 50% Equity	Net Cash in	Present Value @ 8.94% Discount Rate
3,190,836	0.11	29,007,669	1,160,364	27,847,296	13,162,463	11,681,833	7,342,417	20,594,879	13,365,507

*Internal rate of return is the discount rate that yields net present value of cash flows paid out and received equal to 0. It is the estimated return on investment of a project, based on projected cash flows.

TAB 6

Replication of Dr. Woodside's Initial Valuation

Discount Rate Years 1 - 8: 22.00%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Residual Period
Net Operating Income	0	505,760	2,359,265	3,128,269	3,190,834	3,254,651	3,319,744	3,386,139	3,386,139
Minus: Change in Net Working Capital	0	(13,031)	(44,789)	(17,405)	(1,505)	(1,535)	(1,565)	(1,597)	(3,162)
Less: Debt Service	0	(346,769)	(832,247)	(832,247)	(1,368,005)	(1,220,535)	(1,185,589)	(1,150,643)	0
Cash Flow Available for Subordinated Debt	0	145,960	1,482,229	2,278,617	1,821,324	2,032,581	2,132,590	2,233,899	3,382,977
Repayment of Subordinated Debt	0	(145,960)	(1,482,229)	(2,278,617)	(1,821,324)	(2,032,581)	(2,132,590)	(1,287,449)	
Cash Flow to Equity	0	0	0	0	0	0	0	946,450	3,382,977
Multiplied by the Present Value Discount Factor:	0.9034	0.7421	0.6083	0.4986	0.4087	0.3350	0.2746	0.2251	
Present Value of Cash Flow Available to Equity	0	0	0	0	0	0	0	213,009	

Indication of Value

Sum of Present Value of Cash Flow Available to Equity
 Present Value of Terminal Value
 Indicated value of equity
 Times Ballard ownership interest

213,009	213,009
4,153,561	4,153,561
4,366,571	4,366,571
20%	50%
873,314	2,183,285

rounded

873,000	2,183,000

Sale of Property (Net Cash)	
Residual Cash Flow	3,382,977
Divided by Capitalization rate	11%
Gross Proceeds	30,754,336
Less Selling Costs (4%)	(1,230,173)
Less Loan Balance End of Year 8	(9,139,700)
Net Cash (Net of Debt)	20,384,463
Present Value Factor	0.2038
Present Value of Net Cash	4,153,561

Replication of Dr. Woodside's Second Valuation

Discount Rate Years 1 - 6: 22.00%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Residual Period
Net Operating Income	2,359,265	3,128,269	3,190,834	3,254,651	3,319,744	3,386,139	3,386,139
Minus: Change in Net Working Capital	(44,789)	(17,405)	(1,505)	(1,535)	(1,565)	(1,597)	(3,162)
Less: Debt Service	(832,247)	(832,247)	(1,368,005)	(1,220,535)	(1,185,589)	(1,150,643)	0
Cash Flow Available for Subordinated Debt	1,482,229	2,278,617	1,821,324	2,032,581	2,132,590	2,233,899	3,382,977
Subordinated Shareholder Debt Service	(1,482,230)	(2,278,617)	(1,821,324)	(2,032,581)	(2,132,589)	(1,287,449)	
Cash Flow to Equity	(1)	0	0	0	1	946,450	3,382,977
Multiplied by the Present Value Discount Factor	0.9515	0.8197	0.6719	0.5507	0.4514	0.3700	
Present Value of Cash Flow Available to Equity	(1)	0	0	0	0	350,186	

Indication of Value

Sum of Present Value of Cash Flow Available to Equity
 Present Value of Terminal Value
 Indicated value of equity
 Times Ballard ownership interest
 rounded

rounded

		Sale of Property (Net Cash)	
	350,185	350,185	Residual Cash Flow
	6,828,420	6,828,420	Capitalization rate
	7,178,605	7,178,605	Gross Proceeds
	20%	50%	Less Selling Costs (4%)
	1,435,721	3,589,302	Less Loan Balance End of Year 6
			Net Cash (Net of Debt)
			Present Value Factor
			Present Value of Net Cash
	1,436,000	3,589,000	

Replication of Dr. Woodside's Initial Valuation

Discount Rate Years 1 - 8: 11.01%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Residual Period
Net Operating Income	0	505,760	2,359,265	3,128,269	3,190,834	3,254,651	3,319,744	3,386,139	3,386,139
Minus: Change in Net Working Capital	0	(13,031)	(44,789)	(17,405)	(1,505)	(1,535)	(1,565)	(1,597)	(3,162)
Less: Debt Service	0	(346,769)	(832,247)	(832,247)	(1,368,005)	(1,220,535)	(1,185,589)	(1,150,643)	0
Cash Flow Available for Subordinated Debt	0	145,960	1,482,229	2,278,617	1,821,324	2,032,581	2,132,590	2,233,899	3,382,977
Repayment of Subordinated Debt	0	(145,960)	(1,482,229)	(2,278,617)	(1,821,324)	(2,032,581)	(2,132,590)	(1,287,449)	
Cash Flow to Equity	0	0	0	0	0	0	0	946,450	3,382,977
Multiplied by the Present Value Discount Factor	0.9491	0.8549	0.7701	0.6937	0.6249	0.5629	0.5070	0.4567	
Present Value of Cash Flow Available to Equity	0	0	0	0	0	0	0	432,253	

Indication of Value

Sum of Present Value of Cash Flow Available to Equity
 Present Value of Terminal Value
 Indicated value of equity
 Times Ballard ownership interest

432,253	432,253
8,835,872	8,835,872
9,268,126	9,268,126
20%	50%
1,853,625	4,634,063

rounded

1,854,000	4,634,000

Sale of Property (Net Cash)	
Residual Cash Flow	3,382,977
Divided by Capitalization rate	11%
Gross Proceeds	30,754,336
Less Selling Costs (4%)	(1,230,173)
Less Loan-Balance End of Year 8	(9,139,700)
Net Cash (Net of Debt)	20,384,463
Present Value Factor	0.4335
Present Value of Net Cash	8,835,872

Replication of Dr. Woodside's Second Valuation

Discount Rate Years 1 - 6: 11.01%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Residual Period
Net Operating Income	2,359,265	3,128,269	3,190,834	3,254,651	3,319,744	3,386,139	3,386,139
Minus: Change in Net Working Capital	(44,789)	(17,405)	(1,505)	(1,535)	(1,565)	(1,597)	(3,162)
Less: Debt Service	(832,247)	(832,247)	(1,368,005)	(1,220,535)	(1,185,589)	(1,150,643)	0
Cash Flow Available for Subordinated Debt	1,482,229	2,278,617	1,821,324	2,032,581	2,132,590	2,233,899	3,382,977
Subordinated Shareholder Debt Service	(1,482,230)	(2,278,617)	(1,821,324)	(2,032,581)	(2,132,589)	(1,287,449)	
Cash Flow to Equity	(1)	0	0	0	1	946,450	3,382,977
Multiplied by the Present Value Discount Factor	0.9742	0.9008	0.8114	0.7309	0.6584	0.5931	
Present Value of Cash Flow Available to Equity	(1)	0	0	0	1	561,295	

Indication of Value

Sum of Present Value of Cash Flow Available to Equity
 Present Value of Terminal Value
 Indicated value of equity
 Times Ballard ownership interest
 rounded

rounded

561,295	561,295	Sale of Property (Net Cash)	
11,473,674	11,473,674	Residual Cash Flow	3,382,977
12,034,969	12,034,969	Capitalization rate	11%
20%	50%	Gross Proceeds	30,754,336
2,406,994	6,017,485	Less Selling Costs (4%)	(1,230,173)
		Less Loan Balance End of Year 6	(9,139,700)
		Net Cash (Net of Debt)	20,384,463
		Present Value Factor	0.5629
		Present Value of Net Cash	11,473,674
2,407,000	6,017,000		

TAB 7

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Education

Ph.D. in Economics and Business Administration: University of Alabama, 1972;
Major – marketing; Minors – economics and quantitative methods.

B.A. in Economics: Wofford College, 1968.

Teaching and Administrative Experience

Professor Emeritus (2003). James C. Self Professor of Business Administration (1994), Professor (1983), Associate Professor (1976), Assistant Professor (1971) of Economics and Business Administration, Furman University.

Chair, Department of Economics and Business Administration, Furman University, 1976 – 1985.

Chair, Furman University Faculty, 1993 – 1995.

Faculty Athletic Representative to The Southern Conference and NCAA, 1995 – 2003.

Teaching Assignments at Furman

Economics: macroeconomics, microeconomics, urban economics, personal finance.

Business Administration: principles of marketing, marketing research, marketing problems, marketing management (graduate level), quantitative methods for business, experiential learning in business.

Statistics: graduate and undergraduate.

Director of the Furman Economics and Business Administration Internship Program

Publications

"The Economist's Role in Wrongful Death Cases," with John G. Fulmer, *South Carolina Trial Lawyers Bulletin*, October, 1974.

"An Investigation into the Effects of Selected Variables Upon Barriers to Entry in Manufacturing Industries," *Southern Marketing Association Proceedings*, 1974.

"New Product Idea Generation: A Case Study of Household Cleaners," with J. Barry Mason, *Journal of Advertising Research*, Spring, 1974.

"The Effects of Oral vs. Written Two-Sided Messages," with J. M. Wilkerson, *Journal of the Academy of Marketing Sciences*, Summer, 1976.

Succeeding in the Free Enterprise System. CORBIA – Council of Resources, 1978. A textbook written for the South Carolina Veterans Administration.

"Business Goodwill in South Carolina," with Katherine Tiffany and Peter C. Tiffany, *South Carolina Lawyer*, May, 2011.

Invited Lectures

"In Defense of Advertising," Wofford College, 1976.

"The Role of Marketing Research in the Business Enterprise," Wofford College, 1977.

"The Changing Marketing Concept," Sales and Marketing Executives Club of Greenville, 1978.

"What Really Matters," L. D. Johnson Memorial Lecture, Furman University, 1983.

Numerous speeches to local service, professional, and business organizations on business strategies and business valuation.

Co-presenter with Peter Tiffany, Timothy Madden, and Thomas Traxler, "2011 Family Law Intensive: Tax Returns, Other Financial Records & Valuation," October 2011.

Professional Affiliations

American Economic Association
Southern Economic Association

Southern Marketing Association
National Association of Forensic Economics

Awards and Honors

Western Electric Fund Award for innovative teaching, presented by the American Assembly of Collegiate Schools of Business, 1982.

Faculty Internship, Henderson Advertising Agency, 1972.

NDEA Fellowship, University of Alabama.

Wall Street Journal Award, Wofford College.

Listed in *Who's Who Among Expert Witnesses*.

Other Professional Activities

Professional Associations – Attended, presented papers, discussed papers, chaired sessions, and judged papers at numerous professional association meetings.

Consulting

Have been recognized in Federal District Courts, state courts in South Carolina, North Carolina, and Tennessee, South Carolina Family Courts, and the South Carolina Public Service Commission as an expert in economic and business affairs, including the following areas.

- valuation of closely held companies
- review of company performance and condition
- forecasting of sales and profits
- consideration of economic consequences of alimony and child support payments
- equitable distribution of marital assets
- application of South Carolina Department of Social Services Child Support Guidelines
- valuation of defined benefit pension plans
- computation of economic loss due to death, disability, and termination
- computation of lost business profits
- unfair trade practices
- antitrust violations

Have been appointed as the court's expert in South Carolina Family Court, South Carolina Circuit Court, and Masters in Equity in Greenville and Anderson counties.

Have been retained by plaintiff's attorneys, defendant's attorneys, United States Department of Justice, and insurance companies in evaluation of economic loss.

Have served as a consultant in valuation of numerous closely held companies outside the context of litigation, including manufacturers, wholesalers, retailers, professional associations, and personal service companies.

Other consulting experience includes market research and analysis, corporate image research, and development and implementation of strategic plans.

Have served on the local advisory boards of a bank, commercial real estate development firm, and travel agency.

Community Activities

Past service on Travelers Rest Area Council, vice chairman, director, chair of Education Committee, co-chair of Economic Development Committee.

Past service on Travelers Rest Home Town Association, director, treasurer.

Charles L. Alburt, Ph.D.
2008 Depositions, Trials & Arbitrations

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
2/22/2008	D	Robert C. Ray	Phyllis Grigget-Harris v. Greenville Hospital System	Common Pleas	Greenville County
5/27/2008	D	Jay D. Lurimovsk	Diana McInnes, individually and as Executor of the Estate of Lawrence J. McInnes v. Olaf A. A. Ostrup, M.D., East Point Primary Care Center P.C., Asheville, NC, Ostrup, M.D., Asheville Medical Associates, Inc., David R. Barnes, M.D., Asheville MD Physician Service AL, LLC, and South Fulton Emergency Physicians, LLC	State Court of Fulton County, State of Georgia	Fulton County
3/31/2008	D	Donald R. McCreath	John K. Windlett, individually and as Personal Representative of the Estate of John C. Windlett, Jr. v. McLeod Jenkins & Holliman Surgical P.A., Met and Holliman & Lugo Surgical P.A., Highlander Surgical Group, P.A., James B Holliman, M.D., P.A., James Bennett Holliman, M.D., individually and Thomas Allen McLeod, M.D., individually	Common Pleas	Spartanburg County
1/4/2008	T	Donald R. McCreath	John K. Windlett, individually and as Personal Representative of the Estate of John C. Windlett, Jr. v. McLeod Jenkins & Holliman Surgical P.A., Met and Holliman & Lugo Surgical P.A., Highlander Surgical Group, P.A., James B Holliman, M.D., P.A., James Bennett Holliman, M.D., individually and Thomas Allen McLeod, M.D., individually	Common Pleas	Spartanburg County
4/14/2008	D	Chad L. Bacon	Eddie B. Hughes, Jemette Hughes, individually and as guardian for Elizabeth A. Hughes, v. Anacostia M. Browne	Common Pleas	Anderson County
4/16/2008	T	Robert C. Ray	Phyllis Grigget-Harris v. Greenville Hospital System	Common Pleas	Greenville County
4/17/2008	D	Geoffrey H. Waggoner	Helen Platt and Michael Platt v. Michael S. Sandback, M.D., Carolina Surgical Associates, P.A., Trident Medical Center, LLC d/b/a Trident Medical Center	Common Pleas	Charleston County
4/24/2008	T	Steven R. LeBlanc	Super Duper, Inc., d/b/a Super Duper Publications, a South Carolina Corporation v. Mafel, Inc., a Delaware Corporation	U.S. District	Spartanburg, SC
5/19/2008	D	Robert E. Huskins	Robert McCreath v. New York Life Insurance	U.S. District	Spartanburg, SC
5/22/2008	D	Scott M. Anderson	Vacant Landers v. Rentenbach Constructors, Incorporated	Court of Indian Offenses	Cherokee, NC
6/11/2008	T	Jan E. Newlon	Dorrie Allen Paris, et al. vs. Charles Polunward and Lugging, Inc.	Common Pleas	Greenville County
6/26/2008	D	J. Ronald Fawcett	Debra H. Cain, individually and as Administrative of the Estate of Ryan Cain, and Walter L. Cain, individually v. Club Cor, Inc. and Billy Casper Golf, LLC	Superior Court of Fulton County, State of Georgia	Fulton County
7/8/2008	D	Jennifer E. Johnson	Shen G. Blazewell, on behalf of herself and all others similarly situated v. Medical Savings Insurance Company	U.S. District	Spartanburg, SC
7/17/2008	D	Jay D. Lurimovsk	Alex K. Leavitt, individually and as Executor of the Estate of Lee H. Leavitt v. Dr. Jeff Headley, Riverside Surgical Associates, PC, Dr. Alan Farnsworth Dr. Henry Perez, Emergency Care of Atlanta, Inc., and Saint Joseph's Hospital of Atlanta, Inc.	State Court of Fulton County, State of Georgia	Fulton County
7/21/2008	D	Michael T. Coulter	Dwight Roney Fisher v. Elma Medina Sierra	Common Pleas	Orange County
8/12/2008	D	Dobney A. Carr, IV	First National Bank v. First National Bank of the South, First National Bankshares, Inc., John Hugdon and Peter Seitz	U.S. District	Greenville, SC
9/07/2008	T	Mary Alice Gentry	Garry D. Anderson v. Antonio Anderson	Family Court	Greenville County
9/9/2008	D	Steven R. LeBlanc	SubAir Systems, LLC v. PrecisionAir Systems, Inc. and Precision Small Engine Company	U.S. District	Aiken, SC
9/16/2008	T	John D. Hawkins	Claude Burgess, Jr. v. Mark F. Roberts, Susan F. Roberts Corporation and Carolina Material Handling Services	Common Pleas	Spartanburg County
9/12/2008	T	Kenneth C. Foster	Robin L. Byler v. Andrew E. Byler	Family Court	Greenville County
9/17/2008	T	Malcolm C. Farney, Jr.	Ronald A. Alston, Eiji Teragouchi, and Gordon G. Pennington, for themselves and others similarly situated, v. Westinghouse Savannah River Company, and WSRD Delta Plant	U.S. District	Spartanburg, SC
9/23/2008	T	Robert M. Posenfeld	Demetria Kothandak Gumbas v. George Spyros Gumbas	Family Court	Greenville County
9/23/2008	D	Floyd S. Mills, III	Alejandro Ibanez Aguilar, et al. v. Quality Haulers, Inc., et al.	Common Pleas	Anderson County
10/7/2008	D	Matthew E. Yelverton	Angel M. Roy v. Heritage Operating, L.P., d/b/a Heritage Propane Partners, L.P. and Heritage Holdings, Inc. d/b/a Blue Flame Gas of Monks Corner and James A. Francis	U.S. District	Charleston County
10/15/2008	D	Fred W. Sluggs	Wanda and Peter Koszler v. Mary Black Health System, Urgent Emergency Physicians and Daniel Cranston, DC	Common Pleas	Spartanburg County
11/24/2008	D	Manning Y. Culbertson	Faye P. Brooks, as Personal Representative of the Estate of Terry G. Brooks v. BB&K Building Group, Inc., Norel Normix Industrial Manufacturing, LNA Group Ltd., Fagen, Inc., and Fagen Engineering, LLC	Common Pleas	Greenville County
11/24/2008	D	J. Michael Turner, Sr.	Mary M. Chandy and Michael Chandy v. Thomas I. Roberts, III, MD	Common Pleas	Spartanburg County
12/4/2008	D	Thomas A. Kilborn, Jr.	Terry Lyn Chambers, in his capacity as guardian ad litem for John Roger Chambers v. PGT Industries, Inc.	General Court of Justice Superior Court Division	Davidson County
12/18/2008	D	Mackenzie G. Archibald	Len Batchler and Craig Batchler v. Stephen John Lewis, MD, Cherokee Womens Center, PA, Venkatesh Guna, MD, and G'new Urology, PA	Common Pleas	Cherokee County

Charles L. Altord, Ph.D.
2009 Depositions, Trials & Arbitrations

Date	Deposition Trial or Arbitration	Attorney	Case	Type of Court	Location
1/29/2009	D	Thomas A. Kalkren	Michael D. Rooley v. Cedar Pine Apartments, LLC, West Park Apartments, LLC, NNN Arbores at Fairview LLC, NNN Arbores at Fairview, LLC and RAM Partners, LLC	US District	Greenville, SC
2/10/2009	T	Jay D. Luvinski	Alice K. Leach, Individually and as Executor of the Estate of Lee H. Leach v. Dr. Jeff Hoadley, Penimeter Surgical Associates, PC, Dr. Alan Farabaugh, Dr. Henry Perez, Emergency Care of Atlanta, Inc., and Saint Joseph's Hospital of Atlanta, Inc.	State Court of Fulton County State of Georgia	Fulton County, GA
2/20/2009	D	J. J. Adkins-Wiles	Jeffrey Purcell and Indefinite, LLC vs. Robert Fichter, Beechwood Development Group of South Carolina II, LLC, Beechwood Development Group of South Carolina, LLC and Rexwell Synthetic Industries, LLC	Circuit Court	Greenville County
2/25/2009	D	Charles J. Hodge	Stacy D. McCullough, as Personal Representative of the Estate of Kyle Thomas McCullough vs. Cherokee County Department of Public Works	Common Pleas	Cherokee County
3/14/2009	D	Robert C. Wilson, Jr.	Joan C. Beaumont, Gerald P. Beaumont, Dr. Jay A. Crockett, M.D., Greenville Gynec & Obstet Associates, P.A., Dr. Albert Louis, M.D., and St. Mary's Hospital	Circuit Court	Greenville County
4/27/2009	T	Robert C. Wilson, Jr.	Joan C. Beaumont, Gerald P. Beaumont, Dr. Jay A. Crockett, M.D., Greenville Gynec & Obstet Associates, P.A., Dr. Albert Louis, M.D., and St. Mary's Hospital	Circuit Court	Greenville County
4/27/2009, 5/1/2009	T	Lisa P. Morley	Stephan G. Colabouris v. Amy E. Colabouris	Family Court	Greenville County
4/29/2009	D	Frederick L. Rink, III	Della Ann Driscoll Jefferson, as Personal Representative of the Estate of Dennis W. Jefferson, deceased vs. John F. Stoud & Sons, Inc., Harry T. Rivers, Sir Galen Leggett and Harold Turner, Sr.	Common Pleas	Marion County
5/7/2009	D	Charles J. Hodge	MP and Gary Patel, Willard Oil Company, Inc., Harry "Shipper" Lankaster v. City of Spartanburg	Common Pleas	Spartanburg County
6/23/2009	D	W. Duval Condit	Thomas Cullen and Simple Solutions, LLC v. Waldo House, Inc., Carter Commercial Refrigeration, Inc., Wells Pleasant, LLC and Tasta Equipment Supply, Inc.	Common Pleas	Greenville County
7/23/2009	D	Carleen S. Scott	Kathryn A. Sennan, as Personal Representative of the Estate of Donna Marie Jones, and Donald Jones, Jr. Surviving Spouse of Donna Marie Jones v. Levern Livingston, MD, John K. Costers, MD, Theodore G. Gordon, MD, James M. Rowell, MD, William P. Clare, Jr., MD, Jennifer Grubbs, PA, Charleston Gastroenterology Specialists, PA, Charleston Endoscopy Center, LLC, West Ashley Primary Care, LLC, Doctors Care and John P. Davis, MD	Common Pleas	Charleston County
7/28/2009	D	W. Lewis Glenn	Michael Hardy, Cesar Aponte, and James Terrell Fleming v. South Rentals Scaffold Services, Inc., and John S. Clark Company, LLC and South Rentals Scaffold Services, Inc. v. Unique Designers, Inc.	General Court of Justice Superior Court Division	McClintock County
8/12/2009	D	T. Ryan Landry	Jim Sanyerlin v. Pal Singh, Individually, Westco USA, Inc.	US District	Spartanburg, SC
9/18/2009	D	John E. Schmidt, II	Therly Hammond Hoelms, Individually and as Personal Representative of the Estate of Thomas R. Hoelms v. Sharon Spikes King and Treels, Inc.	US District	Columbia, SC
9/19/2009	D	John L. Newlon	Robert Simmons v. Super Service, Inc.	Common Pleas	Lexington County
9/3/2009	D	John C. Modan, III	Calte G. White v. General Hearing Corporation and Cotty Self	US District	Greenville, SC
9/10/2009	D	Paul S. Landis	Lynda McKinnon, M.D. v. Anderson Family Care, P.A., Wade A. Dineen, M.D., and The People's Bank	Common Pleas	Pickens County
10/1/2009	D	J. Steven Weldon	Dorothy Robinson as Personal Representative for the Estate of James P. Robinson, MD v. Gerald C. Hamrick, M.D., Paul Gregory Lee, M.D., Medical Anesthesia Consultants, LLC, and McQueen Regional Medical Center of the Pee Dee Reg., Inc.	Common Pleas	Florence County
10/27/2009	T	Paul S. Landis	Lynda McKinnon, M.D. v. Anderson Family Care, P.A., Wade A. Dineen, M.D., and The People's Bank	Common Pleas	Pickens County
11/11/2009	D	Eric R. Johnson	Deborah M. McGuire v. Just Shane Sannister, Danny Glass and Vicki Mask, aka's Shannon Transportation	Common Pleas	Anderson County
11/12/2009	D	Thomas B. Smith	Fleetwood Internal Medicine, P.A. d/b/a Fleetwood Internal Medicine & Family Practice, P.A. v. Bruce R. Schober, D.C., and Unknown Defendants A, B and C	Common Pleas	Pickens County
11/17/2009	T	Charles J. Hodge	MP and Gary Patel, Willard Oil Company, Inc., Harry "Shipper" Lankaster v. City of Spartanburg	Common Pleas	Spartanburg County

Charles L. Alford, Ph.D.
2010 Depositions, Trials & Arbitration

Date	Deposition Trial or Arbitration	Attorney	Case	Type of Court	Location
1/7/2010	D	Scott M. Anderson	Arthur Snoznik and Botsey Snoznik v. Jeld-Wen, Inc.	US District	Asheville Division
1/13/2010	T	Matthew David McCord	Stacy Alane Coulter v. Dwayne Christopher Coulter	Family Court	Greenville County
1/16/2010	D	Pope D. Johnson	Wachovia Bank, N.A. and Winifred R. McMaster, as Co-Personal Representatives of the Estate of Spencer R. McMaster, Jr., et al. vs. Wonnashero Petroleum Co., Inc.; William S. McMaster, Quay W. McMaster; William S. McMaster as Personal Representative of the Estate of F.C. McMaster, et al.	Common Pleas	Fairfield County
1/28/2010	T	W. Duvall Spruill	Thomas Outten, and Simple Solutions, LLC v. Waffle House, Inc., Carrier Commercial Refrigeration, Inc., Wells Bloomfield, LLC and Lavista Equipment Supply, Inc.	Common Pleas	Greenville County
2/9/2010	T	Thomas M. Creegan, Jr.	Mary Kathryn Powell and Vick Powell vs. Estes Express Line, Inc. and John McKellar	Common Pleas	Greenville County
2/18/2010	D	Geoffrey H. Waggoner	Deborah P. Fulmer, PR of the Estate of Nathaniel D. Fulmer v. William C. Bruker, Jr. MD, Wayne T. Frei, MD, and Aiken Regional Medical Center	Common Pleas	Aiken County
2/22/2010	D	Michael E. Spars	William D. Boling, IV v. Mohawk Industries, Inc. and Elbert Dane Hammond, as agent are servant of Mohawk Industries, Inc.	US District	Columbia Division
3/3/2010	D	Timothy D. St. Clair	Edward W. Van Romer and Basic Concepts, Inc. v. Interstate Products, Inc.	US District	Greenville Division
3/10/2010	T	Donald R. Monthead	Noel C. Dillon v. Neil Fraser	Common Pleas	Greenville County
3/16/2010	A	Linda C. Hayes	Catherine L. Scott v. Randolph L. Scott	Family Court	Greenville County
3/17/2010	T	Timothy D. St. Clair	Edward W. Van Romer and Basic Concepts, Inc. v. Interstate Products, Inc.	US District	Greenville Division
3/22/2010	D	Mackenzie G. Archenhold	Amey Hartrell, as Personal Representative of the Estate of Robert Joseph Hartrell, deceased, v. Earl Hutchings, MD; Open MRI of Simpsonville, LLC; MedQuest Associates, Inc. and South Carolina Diagnostic Imaging, Inc.	Common Pleas	Greenville County
3/25/2010	D	Irving M. Brenner	GEO Plastics and Michael Morris v. Beacon Development Company and Southcross, LLC	US District	Rock Hill Division
4/5/2010	T	Robert M. Rosenfeld	Gwendolyn Rebecca McClure v. John Robert McClure	Family Court	Greenville County
4/8/2010	T	John R. Peace	Joyce H. Perrine and Robert E. Perrine v. Michael A. Peppers	Common Pleas	Anderson County
5/4/2010	D	Scott M. Anderson	Elizabeth Pettit and Brad Pettit v. Jackson Painting, Inc., and John Doe	Superior Court	North Carolina
5/6/2010	D	Eugene C. Covington, Jr.	Travis Brent Fortson and Heather Fortson v. Quality Haulers, Inc., et al.	Common Pleas	Spartanburg County
5/21/2010	T	Robert M. Rosenfeld	Dorothy Nell Jones Hulsey v. Claude Wesley Hulsey	Family Court	Greenville County
5/27/2010	T	Ray E. Thompson, Jr.	William Mark Casey v. Gregory J. Feldman MD, Joseph A. Bosch III MD, Upstate Lung and Critical Care Specialists PC, and Devendra Shorlha MD	Common Pleas	Spartanburg County
6/17/2010	T	Geoffrey H. Waggoner	Deborah P. Fulmer, PR of the Estate of Nathaniel D. Fulmer v. William C. Bruker, Jr., MD, Wayne T. Frei, MD, and Aiken Regional Medical Center	Common Pleas	Aiken County
7/16/2010	D	William M. Hogan	Hughes Special Services, Inc. v. Laurens Electric Cooperative, Inc.	Common Pleas	Laurens County
8/25/2010	T	Mackenzie G. Archenhold	Randy C. Moon as Personal Representative of The Estate of Amanda Grace Russell Moon, deceased, v. Everett Fuller, MD, et al.	Common Pleas	Greenville County
8/30/2010	D	J. Kendall Few	Vickie Gail Jordan Carrigg, Personal Representative of the Estate of Mallorie Jordan Carrigg, deceased v. General Motors Corporation, M&A Auto Sales & Transport, Inc. and Honeywell International, Inc. aka Allied Signal Corporation	Common Pleas	Dartington County
9/14/2010	D	Phillip R. Feagan	Lonnie Wayne Lassiter v. Vicki D. Searcy, aka Vickie Searcy, Phillip Searcy, Jr., Hillcrest Adult Care Facility, Inc., and Lon Proctor	Superior Court	North Carolina
9/20/2010	D	Albert V. Smith	Shell L. Martin, as Personal Representative of the Estate of James Martin, deceased and as Representative of Statutory Beneficiaries v. Abbeville County Memorial Hospital, aka Abbeville Area Medical Center and Loren J. Heltnuth, MD	Common Pleas	Abbeville County
10/20/2010	T	Robert M. Rosenfeld	Danny Racine Lyda v. Cheri Hillard Lyda	Family Court	Greenville County

Charles L. Alford, Ph.D.
2011 Depositions, Trials & Arbitration

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
2/2/2011	D	Eugene Ford Rash	Port Royal Cement Co., LLC v. South Carolina State Ports Authority	South Carolina Uniform Arbitration Act	Charleston, SC
2/21/2011	D	J. Steven Welch	David Paston, personally and as Personal Representative of the Estate of Linda F. Paston v. Dr. Elizabeth Bozeman, Dr. Gary Bozeman, The Urology Center of Spartanburg, P.C., and Spartanburg Regional Health Services District, Inc., d/b/a Spartanburg Regional Medical Center (Spartanburg Regional)	Common Pleas	Spartanburg County
3/14/2011	D	Marion C. Farley, Jr.	Garnett Lee Thompson v. Clariant Corporation, f/k/a Sandoz Chemical Corporation; Synthov; Corporation d/b/a Blackman Uhler Chemical Company, Blackman Uhler, LLC; Biddle Sawyer Corporation; DeGussa Corporation; RPM International, Inc., as Parent to DAY-GLO Color Corporation, DAY-GLO Color Corporation, Prime Colors Corporation, Twenty Specialty Chemicals, LLC; Eastbound Technologies, Inc. f/k/a MODI USA, Inc.; Chemetall Chemical Products, Inc., Rhodia, Inc., Niray Dye & Chemicals, Inc., f/k/a Niray Dye & Chemicals of North Carolina, Inc.; Colorex, Inc.	Common Pleas	Greenville County
3/16/2011	D	Wesley K. Janssen	Franklin D. Swafford v. Oak Elevator Company and Liberty Property Trust	Common Pleas	Greenville County
4/5/2011	D	J. Kirk Fisher	David Stanley and Louann Stanley v. Home Depot U.S.A., Inc. and C&C Fencing	Civil Court	Greenville Division
4/12/2011	D	William M. Hogan	East Solutions, LLC and Premier Polymers v. Verde Products, Inc. and R. Samuel Bell, Jr.	US District Court	Greenville, South Carolina
5/2/2011	T	Adam Fisher, Jr.	Christine W. Barnhart v. Eric L. Barnhart	Family Court	Greenville County
5/5/2011	D	Joshua D. Spencer	Providence Press, Inc. v. The Ralph and Virginia Hendricks Foundation	Common Pleas	Greenville County
5/24/2011	D	Sarah Day Hurley	Heath W. Souffelo, an individual, and Scurmont, LLC, a South Carolina Corporation doing business as Cali Baker's Franchise Bar & Grill v. Franchise Restaurant Group, Inc., a Florida Corporation, Three Alarm Subs, Inc., a South Carolina Corporation, and Fireside Restaurant Company, Inc., a South Carolina Corporation	US District Court	Florence, SC Division
6/8/2011	D	James H. Ritchie, Jr.	Richard Hawkins, MD v. OHG of Spartanburg, Inc.	Common Pleas	Spartanburg County
6/24/2011	D	David Michael Parnham	John E. McInerney, Jr. and Colleen McInerney v. Myrtle Beach Family Medicine, P.A. Terry A. Bolden, M.D., Michael C. Overbeck, M.D., Grand Strand Regional Medical Center, LLC, David Lemmel, M.D., Eric Senn, M.D., Lewis Erickson, M.D., Thomas A. Pelen, M.D. Surgical Associates of Myrtle Beach, LLC	Common Pleas	Horry County
7/20/2011	D	Samuel D. Wams, III	Lateona L. Ploster v. Compass Group USA, Inc. d/b/a Carrison	Common Pleas	Greenville County
10/4/2011	D	Daniel F. Blanchard, III	Luke Way, a minor under the age of 14 years, by and through his parents and legal guardians, Donald Way, Jr. and Paula Way, Donald Way, Jr., and Paula Way v. Food Lion, LLC, d/b/a Food Lion of St. George and Reid's Store No. 121	Common Pleas	Worcester County
10/10/2011	D	J. Steven Welch	Delwyn Williams, individually, and as Personal Representative of the Estate of Jacqueline Williams v. Milestone Family Medicine, P.A., and Richard Lutard, M.D.	Common Pleas	Greenville County
10/20/2011	D	Douglas F. Patrick	Debra Gollinugh Witt as PR of the Estate of James Gary Witt v. Anderson Dermatology and Skin Surgery Center, LLC, Theresa C. Krouce, MD, and Jeanne Szimanski, Nurse Practitioner	Common Pleas	Anderson County
10/24/2011	D	Thomas A. Killoran	John W. Hensley and Patricia J. Hensley v. Fred's Stores of Tennessee, Inc., Tony Lee Bevis, and Fred's Inc., Liberty Mutual Insurance Corporation and Allstate Insurance Company	Superior Court	Forsyth County
11/1/2011	D	Bernard S. Klesowski	Southeast Sanctions, Inc. d/b/a Comics Publishing Group et al v. The National Association for Campus Activities, et al.	US District Court	Columbia, SC Division
11/17/2011	D	H. Sam Mabry, III	Barry K. Dunn, Sr., William A. Dunn, Roger Hendricks, Mary Hendricks, Mark Pfeiffer, Mary E. Pfeiffer, Sandra Hummick, Neal E. Gerrard, Poh-Y. Chang & Tsan-Yuan Chang v. Wachovia Mortgage Company, Riviera Estates, LLC, Rufus Raus, Jack Cobb, William Brucker, James Paisley, Allmon Law Firm, P.C., Mrs. William Brucker and Southern Homes of the Upstate, Inc.	Common Pleas	Anderson County
12/20/2011	D	Jason D. Porter	Gregory J. Turner and Diane L. Turner v. Christopher Taylor Hall, Michelin North America, Inc., and Michelin Americas Research & Developmental Corporation	Common Pleas	Greenville County

Charles L. Alford, Ph.D.
2012 Depositions, Trials & Arbitrations

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
2/20/2012	D	Charles J. Hodge	Pavel Rishka, et al. v. South Carolina Department of Transportation, et al.	Common Pleas	Spartanburg County
3/16/2012	T	Myles E. Eastwood	Foo Solutions, LLC and Premier Polymers v. Verde Biotech, Inc. and R. Samuel Bell, Jr.	US District Court	Georgia - Rome Division
4/5/2012	D	Rodney M. Brown	Mary Sue Nelson, As Personal Representative of the Estate of Robert Lee Nelson v. Bon Secours St. Francis Health System, Carolina Surgical Associates and Regency Hospital of Greenville	Common Pleas	Greenville County
4/27/2012	D	Dana C. Mitchell, III	Theodore C. Randall and Connie L. Randall vs. Jamie G. Frankum and MSW Electrical Contractors, Inc.	Common Pleas	Anderson County
5/3/2012	D	Eugene C. Covington, Jr.	Dianne H. Latham and Kevin Latham vs. Federal Express Corporation and Lance A. Marbut	Common Pleas	Greenville County
5/8/2012	D	Michael E. Spears	Joseph A. Tonkovic v. E.J. Pope & Son, Inc., et al.	Common Pleas	Spartanburg County
5/24/2012	D	Brian P. Murphy	Cynthia Horige v. Spartanburg Regional Health Services District, Inc. d/b/a Spartanburg Regional Healthcare System	US District Court	Spartanburg County
6/13/2012	T	Jason D. Porter	Gregory J. Turner and Diane L. Turner v. Christopher Taylor Hall, Michelin North America, Inc. and Michelin Americas Research & Development Corporation	Common Pleas	Greenville County
7/10/2012	T	Mark H. Wallace	The Estate of Sharon L. Powell, by and through, Jeremy Howell, Administrator v. Yellow Cab Co. of Louisville, LLC, Jimmie D. Capps, Jr. and Jon Qchsenstein	Jefferson Circuit Court	Louisville, KY
8/14/2012	D	Hugh W. Welborn	Vivian Chambers v. Robert Chambers, Individually and d/b/a Chambers Trucking, Leola Hammonds a/k/a Lee Chambers a/k/a L.R. Hammonds, Individually and a/b/a Chambers Trucking, and David Austin Chambers, Individually and as Registered Agent for Chambers Trucking, LLC, Chambers Trucking, LLC and Chambers Trucking	Family Court	Anderson County
8/23/2012	D	T.S. Stern, Jr.	International Payment Group, Inc., Debtor - John Kokkila Fort, Chapter 7 Trustee for International Payment Group, Inc. v. Sun Trust Bank	US Bankruptcy Court	South Carolina
9/19/2012	T	J. Steven Welch	Delwyn Williams, individually, and as Personal Representative of the Estate of Jacqueline Williams v. Milestone Family Medicine, P.A., and Richard Leland, M.D.	Common Pleas	Greenville County
9/26/2012	D	Kenneth C. Anthony, Jr.	Anne H. Aspy, Personal Representative of the Estate of Ramon Jawad Aspy, Jr., Plaintiff v. Genevieve Meeder Goucher and Sloan Construction Company, Inc.	Common Pleas	Spartanburg County
10/4/2012	D	James R. Gilreath	Marine Cross Country, Inc. v. HQ Marine Transport, Inc. d/b/a Cross Country Marine, Inc., Repur Bailey, Malibu Boat's, LLC, Julie Haddy, PACCAR Financial Corp. and Cherokee Truck Leasing, Inc.	Common Pleas	Greenville County
10/9/2012	D	T. Ryan Langley	Michelle Metin, Personal Representative of the Estate of Gerald Martin, deceased, v. American Honda Motor Co. Inc. and Amato Pioneer Eclipse Corporation	US District Court	Greenville County
10/11/2012	D	Geoffrey H. Waggoner	Philip Green, as Guardian and Conservator of the Estate of Sheila Green, an Incapacitated Adult v. Trident Medical Center, LLC, Trident Emergency Physicians, LLC and N. Selby Richardson, III, MD	Common Pleas	Berkeley County
10/23/2012	D	Troy A. Tessier	Anderson County v. Joey Preston and South Carolina Retirement Systems	Common Pleas	Anderson County
11/5/2012	T	Troy A. Tessier	Anderson County v. Joey Preston and South Carolina Retirement Systems	Common Pleas	Anderson County

Charles L. Alford, Ph.D.
2013 Depositions, Trials & Arbitrations

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
2/20/2013	T	Kenneth C. Anthony, Jr.	Anne H. Ashy, Personal Representative of the Estate of Ramon Jawad Ashy, Jr. v. Genevieve Marie Goucher and Sloan Construction Company, Inc.	Common Pleas	Spartanburg County
4/2/2013	D	Donald L. Smith	Tracy William Kefer v. Claudia Lynn Davis Keller	Family Court	Spartanburg County
4/12/2013	D	W. Grady Jordan	Lynn S. Marler, individually and Lynn S. Marler as Personal Representative of the Estate of James Robert Marler v. Greenville County; Scott Bodiford; Katie Hughes, CCT; Derrick Jackson; Philip Smith, Kristi F. Padgett, LPCS; Timothy Williams; James Graveley; Rene L. Cox, LPN; Kendra LeAnne Edwards; R.N.	US District Court	South Carolina
4/16/2013	T	J. Kendall Fow	Hattie Knuckles, et al v. RaceTrac Petroleum, Inc. et al.	Common Pleas	Spartanburg County
5/8/2013	D	Frances G. Zacher	Robert Wayne Humphrey, Jr. and Crystal Marie Humphrey v. Day & Zimmerman International, Inc.	US District Court	South Carolina
5/23/2013	D	Thomas A. Killoren	Vickie S. Crosswhite & George A. Crosswhite v. Bobby Jackson Electrical, Inc. and William J. Jackson	Common Pleas	Spartanburg County
5/30/2013	T	Robert C. Wilson, Jr.	Front Row Restaurants, Inc. v. Kyle Pertuis v. Beachfront Foods, Inc., et al.	Common Pleas	Greenville County
6/4/2013	D	Kenneth C. Anthony	Minta W. Floyd v. John Franklin Floyd	Family Court	Spartanburg County
6/20/2013	D	Richard C. Jones	Richard M. Hanson v. Vicki Thomas Gray; Gerald M. Gray, and Marshall P. Sherard, Jr., as personal representatives of the Estate of James M. Gray, Sr.; Marshall P. Sherard, Jr., individually, Hartwell Lake Builders, the partnership of James M. Gray, Sr. and Marshall P. Sherard, Jr., Hartwell Lake Properties, a sole proprietorship, Mike Davenport d/b/a Davenport Construction, Jonathan A. Gray, Jeffrey Willis Gray & Willis, Inc., Eric Murray d/b/a Designs Unlimited, and Hartwell Lake Investors, LLC	Common Pleas	Anderson County

IN THE STATE OF SOUTH CAROLINA
In the Court of Appeals

RECEIVED
APR 21 2011
SC Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Edward W. Miller, Circuit Court Judge

Case No. 2008-CP-23-05739

Andrew P. (Andy) Ballard, ... Respondent,

v.

Tim Roberson, Rick Thoennes, Rick Thoennes III,
and Warpath Development, Inc. Appellants.

FINAL BRIEF OF APPELLANTS

Joshua L. Howard, S.C. Bar # 70260
HAYNSWORTH SINKLER BOYD, P.A.
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Attorneys for Appellants

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SUMMARY REPORT
ON THE VALUATION
OF
20,000 SHARES OR A 20% OWNERSHIP INTEREST IN
WARPATH DEVELOPMENT, INC.

AS OF
DECEMBER 31, 2012

REPORT DATED

APRIL 29, 2013

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April 29, 2013

Andrew P. Ballard
c/o Wallace K. Lightsey
Wyche Burgess Freeman & Parham, P.A.
PO Box 728
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Tim Roberson, Rick Thoennes, Rick Thoennes, III and Warpath Development, Inc.
c/o Joshua Howard
Haynesworth, Sinkler, Boyd, P.A.
PO Box 2048
Greenville, SC 29602

CC: Judge Edward W. Miller
Greenville County Courthouse
305 East North St.
Greenville, SC 29601

RE: Valuation of 20,000 shares or a 20% Ownership Interest in Warpath Development, Inc.

Dear Messrs. Ballard, Roberson, Theonnes, Theonnes, Lightsey, Howard, and Miller:

In accordance with our engagement, Dixon Hughes Goodman LLP has estimated the fair value of 20,000 shares or a 20% Ownership Interest (the "Subject Interest") in Warpath Development, Inc. (referred to as "WPI" or the "Company") as of December 31, 2012 (the "Valuation Date"). Based on our analysis, described in the accompanying Summary Report ("Report"), we have concluded that a reasonable estimate of the fair value of 20,000 shares or a 20% Ownership Interest in Warpath Development, Inc. as of December 31, 2012 is **\$873,000**.

It is noted that while this analysis was conducted as if 20,000 shares is the equivalent of a 20% ownership interest, there is a legal dispute over whether 20,000 shares should be counted as 20% or 50% of the total ownership for purposes of valuing Andrew Ballard's stock in this

forced-buyout situation. I take no position on this legal issue and assumed for purposes of this analysis that Mr. Ballard's stock be counted as 20% of the total ownership.

Entity	Interest Valued	Level of Value	Date of Value	Conclusion of Value
Warpath Development, Inc.	20,000 shares or a 20% Ownership Interest	Non-controlling	December 31, 2012	\$873,000

In preparing our business valuation report, we relied on financial data, income tax returns, development plans and other data including, but not limited to certain market information. Our report is based on the historical and forecasted financial information which we have been provided.¹

Users of this valuation report should be aware that business valuations are based on the realization of future net asset sales or future earnings potential that may or may not materialize. Therefore, the actual results achieved in the future will vary from assumptions used in this valuation and the variations may be material. The accompanying report discusses all the assumptions and limiting conditions that apply to this estimate of value and are integral to the understanding of the report.

This analysis and Report has been completed in accordance with the American Institute of Certified Public Accountants' *Statement on Standards for Valuation Services No. 1* ("SSVS") and the National Association of Certified Valuation Analysts' *Professional Standards*. This Report is presented expressly and solely to estimate the fair value of the Subject Interest which will be used to determine the dissociating shareholder's (Andrew Ballard) interest as of the Valuation Date. No other use of this Report is appropriate and it should not be distributed, cited or used in any manner other than for that specific and limited purpose.

¹ Management is responsible for the validity of the information provided including assumptions on any prospective financial results.

Messrs. Wallace K. Lightsey and Joshua Howard
Warpath Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

This report is not to be used by anyone but Warpath Development, Inc., the addressees and respective counsel without the express written consent of Dixon Hughes Goodman LLP.

This Report has been prepared by Dixon Hughes Goodman LLP and was written by and/or under the direct supervision of the individuals identified in the Certification / Representation section of this Report. Our Report sets forth the information we considered, our analysis of that information, and our conclusion of value. This Report also contains the assumptions and limiting conditions that are integral to our analysis and our conclusion.

We appreciate the opportunity to present this Report to you and we will be available to discuss it as considered necessary.

Respectfully,



Dixon Hughes Goodman LLP



DIXON HUGHES GOODMAN

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INTRODUCTION

Dixon Hughes Goodman LLP has been engaged by Wallace K. Lightsey of Wyche Burgess Freeman & Parham, P.A. and Joshua Howard of Haynesworth, Sinkler, Boyd, P.A. to estimate the fair value of 20,000 shares or a 20% Ownership Interest (the "Subject Interest")² in Warpath Development, Inc. ("WPI" or the "Company") as of December 31, 2012 (the "Valuation Date"). Our estimate of value is presented in this Summary Report ("Report").

The analyses, opinions, and conclusions were developed in conformity with:

1. The American Institute of Certified Public Accountants' *Statement on Standards for Valuation Services No. 1* ("SSVS").
2. The National Association of Valuation Analysts *Professional Standards for Conducting and Reporting on Business Valuations*.

PURPOSE OF VALUATION

The sole purpose of this Report is to estimate the fair value of a 20% interest held by Andrew Ballard in WPI per the Order of Judge Miller dated May 3, 2010 in the matter of Andrew P. Ballard ("Ballard") vs. Tim Roberson ("Roberson"), Rick Thoennes ("Thoennes Sr"), Rick Thoennes, III ("Thoennes") and Warpath Development, Inc. ("Warpath") (2008-CP-232-5739).

² The Subject Interest reflects the ownership interest of the departing shareholder.

The Order, in Paragraph 16, provides that the valuation of the fair value of Ballard's share be done "taking into account the Agreement" [Order, p.13]. Sections of the Agreement that are relevant to the determination of the value of the Ballard interest are Sections 5, 6, and 7.

Section 5- provides that Thoennes and Thoennes III will provide development work (and other functions);

Section 6- provides that Roberson will provide the necessary capital to obtain long term financing for the project. Ballard, Thoennes and Thoennes III will not receive any dividend or distribution of profit until all capital contributions of Roberson have been repaid.

Section 7- provides that Ballard will not be required to sign any personal guarantees to obtain financing.

No other use of this Report is appropriate and it should not be distributed, cited or used in any manner other than for the specific and limited purpose. This Report is not to be used by anyone but WPI, the addressee and his counsel, without the express written consent of Dixon Hughes Goodman LLP.

In performing this valuation, we have relied upon the Company's tax returns and internal financial statements for the years ended December 31, 2007, through December 31, 2012, and pro forma

operating statements developed by Management.³ No adjustment has been made to financial data provided, including pro forma financial statements, except for mathematical error or presentation issues. Additionally, we express no opinion on any matter that requires legal expertise.⁴

PREMISE OF VALUE

This Report is prepared using a going concern premise of value. We have valued the Subject Interest in WPI under the premise of "value in continued use, as a mass assemblage of income producing assets and as a going-concern enterprise."⁵

STANDARD OF VALUE

Based on our understanding of South Carolina State Law, the standard of value used in this report is **fair value**. Our conclusion of value for the Company is based upon the fair value standard as promulgated in the *South Carolina Dissenter's Rights Statute*:

"The value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in

*anticipation of the corporate action to which the dissenter objects, unless exclusion would be inequitable. The value of the shares is to be determined by techniques that are generally accepted in the financial community."*⁶

We have also taken into consideration guidance from the South Carolina Supreme Court seminal valuation case, *Santee Oil Co. v. Cox*.⁷

In *Santee Oil*, fair value was equated to "intrinsic value"- a value determined "by establishing the fair value of the corporate property as an established and going business." The *Santee Oil* court noted that the statutory reference to fair value did not restrict the appraising court to the use of any one method of valuation. The court stated:

"There is no single inflexible formula for valuing closely-held stock; this can be done only after a discriminating consideration of all relevant facts and circumstances as any man of intelligence would determine it for ordinary business purposes. When courts adopt the standards of the marketplace, there is no reason to ignore the valuation methodology of the marketplace."

³ Management is primarily responsible for the accuracy and fair statement of financial and other information provided to us for use in performing the analysis.

⁴ Please see Appendix A for a full listing of assumptions and limiting conditions.

⁵ *Valuing a Business – The Analysis and Appraisal of Closely Held Companies*, Shannon P. Pratt and Alina V. Niculita, The McGraw-Hill Companies, Inc., 2008, Page 47.

⁶ South Carolina Code § 33-13-101(3).

⁷ *Santee Oil Co. v. Cox*, 265 S.C. 270, 273, 217 S.E. (2d.) 789 (1975).

LEVEL OF VALUE

In deriving our estimate of the fair value of the Subject Interest, the pro rata value of the subject interest is calculated without contemplation of discounts for lack of control or lack of marketability. To include discounts "in these situations would undercut the purpose of dissenters' rights statutes to give minority shareholders the fair value of their shares, and it could also encourage squeeze outs."⁸

SCOPE OF WORK

Our conclusion of value as set forth in this Report included the following steps and procedures:

1. General data collection and analysis including collection and consideration of relevant economic and related data and collection and consideration of information related to the industry;
2. Company data collection and analysis including obtaining necessary financial and related information and documents;
3. Financial analysis including review of the financial condition and trends of WPI;

4. Determination of conclusion of value including consideration of appropriate valuation approaches and methods, determination of the applicable capitalization and discount rates, consideration of other information which could affect the value, and the application of relevant factors to the Company; and
5. Completion of the Report including all relevant narrative and other schedules necessary to present our conclusion of value.

This Report is the culmination of the procedures described above.

VALUATION ASSUMPTIONS AND LIMITING CONDITIONS

In preparing our conclusion of value, we have incorporated certain assumptions and limiting conditions, as noted in the Statement of Assumptions and Limiting Conditions section of this Report. In addition, other assumptions, conditions, and restrictions may be noted throughout the Report.

There were no known restrictions or limitations on the scope of the valuation. The valuation did not include the work of a third party specialist. Hypothetical conditions used during the valuation have been disclosed, if any.

SUBSEQUENT EVENTS

In preparing this estimate of value, we are not aware of any significant subsequent events that were known or knowable as of

⁸ *Morrow v. Martschink*, 922 F. Supp. 1093 (D.S.C. 1995); *Hendley v. Lee* 676 F. Supp. 1317, 1330 (D.S.C. 1987)

the Valuation Date that have not been incorporated into our Report and would therefore require special disclosure, in this report, to conform to the applicable valuation standards.

CONCLUSION

The fair value of the Subject Interest was determined using the income approach. The market and asset approaches were considered, but were not used in the final determination of value. Moreover, as described later in this report, the methods were reconciled to each other.

Based on our analysis we have concluded that the fair value of 20,000 shares or a 20% Ownership Interest in Warpath Development, Inc. as of December 31, 2012 is **\$873,000**.

It is noted that while this analysis was conducted as if 20,000 shares is the equivalent of a 20% ownership interest, there is a legal dispute over whether 20,000 shares should be counted as 20% or 50% of the total ownership for purposes of valuing Andrew Ballard's stock in this forced-buyout situation. I take no position on this legal issue and assumed for purposes of this analysis that Mr. Ballard's stock be counted as 20% of the total ownership.

This conclusion was prepared in the context of the specific assignment described above and is only for the intended purpose and period noted. The conclusion is expressed using the going-concern premise of value on a non-controlling, marketable ownership interest basis.

OVERVIEW OF WARPATH DEVELOPMENT, INC.

The company overview section is designed to provide a history and nature of the business. The source of information for this section is principally obtained from information provided by the Order of the Thirteenth Judicial Court of the County of Greenville, State of South Carolina, Case Number 2008-CP-23-5739 (the "Order") and also the Appeal Opinion from Greenville County, Edward W. Miller, Circuit Court Judge, Opinion No. 27161 (the "Opinion"), unless otherwise noted.

OVERVIEW OF WARPATH DEVELOPMENT, INC.⁹

Warpath Development, Inc. ("WPI" or the "Company") was incorporated on September 8, 2004, under the laws of the state of South Carolina. WPI was organized in order to develop a marina and associated facilities on Lake Keowee, Pickens County, South Carolina.

NATURE, BACKGROUND, AND HISTORY¹⁰

WPI was founded in 2004 with its incorporation. Andrew Ballard was the initial organizer and worked for several years on obtaining

a lease from Duke Power for the site to develop a marina and associated facilities. Additionally, Ballard worked with Pickens County and a number of government agencies in obtaining approvals for the planned development. On January 3, 2007, Duke signed a lease with WPI that stipulated the property would be used for a public park and/or public recreational area as shown on the Conceptual Plan attached to the Lease. The final DHEC approval was obtained in 2012. The Conceptual Plan provided for a marina, hotel, cabins, cottages, and other ancillary services on the property (the "Development").

LAKE KEOWEE¹¹

Lake Keowee is an 18,000+ acre man-made lake located in northwestern South Carolina, primarily in Oconee County. Beginning in 1967, Lake Keowee was constructed by Duke Power Company (now Duke Energy)("Duke") as a component of a major energy generation investment that included hydroelectric and nuclear power operations. At an elevation of approximately 800 feet above sea level, it lies at the base of the Blue Ridge Mountains. The lake is conveniently accessible by the following cities: Greenville, South Carolina (35 miles); Charlotte, North Carolina (127 miles); Augusta, Georgia (135 miles); Columbia, South Carolina (136 miles); and Atlanta, Georgia (145 miles).

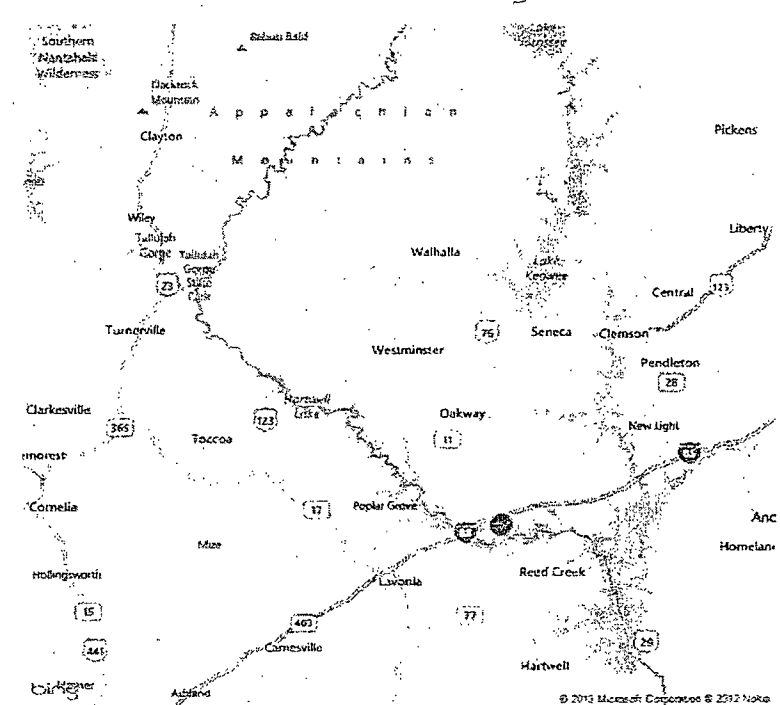
⁹ Information provided by the Order of the Thirteenth Judicial Court of the County of Greenville, State of South Carolina, Case Number 2008-CP-23-5739 and also the Appeal Opinion from Greenville County, Edward W. Miller, Circuit Court Judge, Opinion No. 27161, unless otherwise noted.

¹⁰ Information provided by the Order of the Thirteenth Judicial Court of the County of Greenville, State of South Carolina, Case Number 2008-CP-23-5739 and also the Appeal Opinion from Greenville County, Edward W. Miller, Circuit Court Judge, Opinion No. 27161, unless otherwise noted.

¹¹ www.discoverkeowee.com

Although Duke owns the Lake, The Federal Energy Regulation Commission (FERC) exerts some control over certain aspects of the management of the Lake. This control includes approval of projects such as the Development.¹² However, according to Management, approval for additional marina facilities on Lake Keowee is highly unlikely as after the Development the lake will be at a state of saturation. These restrictive conditions on the ability to build projects are similar to but less restrictive than nearby Lake Hartwell which is owned and managed by the Army Corp of Engineers.

Since Lake Keowee's construction, a number of residential communities have been built around the Lake. Although these communities cover a wide range of lot prices and home values, Lake Keowee generally can be characterized as a more "upper-end" market in relation to surrounding lakes.



¹² This same arrangement extends to Lake Jocassee to the North.

OWNERSHIP HISTORY¹³

As its organizer, Andrew Ballard was the sole shareholder, owning 40,000 shares (only 40,000 were outstanding of 100,000 authorized by Articles of Incorporation), from 2004 until 2007. In May 29, 2007, Andrew Ballard, Tim Roberson, Rick Thoennes, and Rick Thoennes, III entered into the Stock Purchase Agreement in which Tim Roberson, Rick Thoennes, and Rick Thoennes, III received 80,000 shares, collectively. 20,000 shares were purchased from Ballard and 60,000 shares were issued from the Company to Roberson, Theonnes Sr, and Theonnes. As of May 29, 2007, the Company had 100,000 shares authorized. For Ballard's 20,000 shares, Tim Roberson, Rick Thoennes, and Rick Thoennes, III were to pay \$1,000,000 which was provided by Tim Roberson.

The remaining 60,000 shares were issued in connection with commitments by Tim Roberson, Rick Thoennes, and Rick Thoennes, III to provide funding and services to the Corporation. Both the Order and the Opinion stipulate that these commitments have not been met and therefore the 60,000 shares are held in escrow as of the Valuation Date.

¹³ Information provided by the Order of the Thirteenth Judicial Court of the County of Greenville, State of South Carolina, Case Number 2008-CP-23-5739 and also the Appeal Opinion from Greenville County, Edward W. Miller, Circuit Court Judge, Opinion No. 27161, unless otherwise noted..

DEVELOPMENT PLAN¹⁴

WPI's conceptual plan called for a two-phase development on the leased 63 acre site. The marina is approved for 102 30-foot wet slips for rental and an additional 121 courtesy docks related to the marina store (16 slips), marina restaurant (10 slips), dry-stack boat storage (16 slips), cabins (10 slips), cottages (19 slips), campsites (10 slips), and lodge (40 slips). Additional boat storage will be available through a 32,500 square foot ("SF") dry-stack facility that will be capable of housing an additional 200 boats.

The amenities will consist of a 3,275 SF marina store, a 500 SF marina restroom/vending pavilion, a 5,500 SF marina restaurant, a 1,800 SF resident manager's cottage, 8 2-bedroom cabins at 1,200 SF each, 2 3-bedroom cabins at 1,800 SF each, a 640 SF bath/laundry pavilion, a 1,000 SF picnic shelter capable of seating 50 people, a 85,000 SF lodge, a 6,000 SF lodge restaurant, 12 3-bedroom cottages at 1,800 SF each, 7 4-bedroom cottages at 2,000 SF each, a 1,200 gathering place, 340 SF ramp restroom building, and a 500 SF ramp shelter.

Site improvements planned for the Development include 598 parking spots, 86 truck/trailer parking spots, 20 campsites, 15 RV sites, a swimming beach, a fire pit, and a 9,000 linear foot trail system.

¹⁴ Discussions with management and Company website.

Phase I of the Development includes all the wet and dry boat slippage and most of the other facilities, except for the Lodge, Lodge restaurant, and cottages which will all be completed during phase II.

PROSPECTIVE MARKET

WPI is still in development phase and therefore has not generated revenues as of the Valuation Date. It is projected that revenues will be driven by tourists from outside the local region and from slip rentals to both local and non-local boat owners.

FACILITIES AND LOCATIONS¹⁵

The company's facility site is located on Lake Keowee, Pickens County, South Carolina and is unimproved but for a public access boat ramp as of the Valuation Date.

ORGANIZATIONAL STRUCTURE

WPI has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state income taxes on its taxable income. Instead, the shareholders are liable for individual income taxes on their respective shares of the taxable income of the

Company. The Company's current ownership summary is as follows:

**Warpath Development, Inc.
Ownership Summary¹
As of December 31, 2012**

Shareholder	Shares	Ownership Percentage
Andrew Ballard	20,000	20%
Tim Roberson	40,000	40%
Rick Theonnes	20,000	20%
Rick Theonnes III	20,000	20%
	<u>100,000</u>	<u>100%</u>

1. 60,000 shares are in escrow per court order: 20,000 owned by Tim Roberson, 20,000 owned by Rick Theonnes, and 20,000 owned by Rick Theonnes III.

ECONOMIC ENVIRONMENT¹⁶

The economic environment is difficult for a development company such as WPI. Although credit markets have seen increasing activity in recent years, many banks are still hesitant to lend. Often times, a greater percentage of equity, other income to cover interest, or personal guarantees are required in order to induce lending. On

¹⁵ Discussions with management

¹⁶ Please see Appendix E for more detailed economic outlook information at the national and regional levels.

the positive side, consumer spending and personal income have had recent increases which have translated to more revenues for industries tied to discretionary spending such as tourism and boating.

INDUSTRY MARKETS¹⁷

WPI's proposed facility will compete mainly with other freshwater marinas located on Lake Keowee or the other surrounding lakes. The marina industry in the United States is highly fragmented, competitive and declining as a result of the recession and a steep decline in discretionary spending:

- Revenue for the industry has declined at an average rate of 1.7% over the past 5 years. However, growth is expected for the next 5 years at 1.3%.
- It is estimated that revenues for the industry will be \$3.9 billion in 2012 and is a 0.8% decline over 2011 revenues. However, profit margins have improved and make up 12.1% of industry revenue in 2012.
- The industry earns a significant portion of its revenue on households with average annual income exceeding \$100,000. These consumers own larger boats which generate higher slip fees and often use premium services provided by Marinas.

- Overall the steep decline in boat purchases in the past five years is expected to have a lasting effect on future performance of the industry. As economic sentiment improves, spending will continue to increase driving increased activity in discretionary spending.¹⁸

MARKETING AND PROMOTION

As the project is still in development, little has been done on formal marketing and promotion. There is a website for the facility showing the conceptual plan and various pictures of the kind of activities that would take place there. However, the website has obviously not been updated in some time as the "In the News" section's latest addition is as of January 2010.

COMPETITION

Lake Keowee Marina will be the primary competitor of WPI with secondary competition from Harbor Light Marina, Hartwell Marina, and Portman Marina.

¹⁷ Lauren Setar. "IBISWorld Industry Report 71393, Marinas in the U.S." August, 2012.

¹⁸ Please see Appendix E for more detailed economic outlook information at the national and regional levels.

Lake Keowee Marina¹⁹

Lake Keowee Marina is the only full service marina on Lake Keowee as of the Valuation Date and will be the primary competitor of the Company. This is an older Marina with 250 covered and uncovered slips and dry storage (covered sheds) that are not located at water's edge. Annual rent for 30-foot wet slips is \$3,400 per year, which is less than what is projected for the Development's slip rentals, but WPI intends to position itself as a more upper end marina. Additionally, Lake Keowee Marina is at capacity and there is a waiting list for customers interested in renting wet boat slips.²⁰ It is management's opinion that WPI's site with mountain views and its broader offering of amenities should allow WPI's proposed rental to be acceptable in the marketplace.

Harbor Light Marina²¹

Harbor Light Marina is a family owned and operated marina located on the Georgia and South Carolina Border. The services offered include boat rentals, covered slip rentals, and uncovered slip rentals. In 2005, the facility added Harbor Light Marina South which features pre-installed DirecTV and free wireless internet access. Although located on Lake Hartwell, Harbor Light Marina offers significant competition in terms of offering similar services at a lower price point than the prospective plan of the Company.

¹⁹ www.lakekeoweemarina.com

²⁰ Per discussions with management.

²¹ www.harborlightmarina.net

Hartwell Marina²²

Also on Lake Hartwell, Hartwell Marina features covered slip rentals, uncovered slip rentals, and dry-stack boat storage. Additional amenities include daily boat inspection, free Wi-Fi, and dockside repair or maintenance work. Pricing was unavailable on their website as of the Valuation Date.

Portman Marina²³

Portman Marina is located on Lake Hartwell and is the largest inland marina in South Carolina, featuring over 500 wet and dry slips. The marina offers wet slips up to 50' in length, fully enclosed dry storage units (not a dry stack), a courtesy dock, a full service gas dock, and large boat ramp with parking available. Additional offerings include two popular restaurants, cable TV, and phone service.

²² www.hartwellmarina.com

²³ www.portmanmarina.com

GENERAL ECONOMIC CONDITIONS AND OUTLOOK

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GENERAL ECONOMIC CONDITIONS AND OUTLOOK²⁴

At the Valuation Date, the U.S. economy experienced its first contraction since the great recession. However, it is believed that economic growth will continue to be driven by personal consumption largely offsetting public spending decreases, most notably in defense. The downturn in real GDP in the fourth quarter primarily reflected downturns in private inventory investment, in federal government spending, in exports, and in state and local government spending that were partly offset by an upturn in nonresidential fixed investment, a larger decrease in imports, and an acceleration in personal consumption.

The Institute for Supply Management reported that, after three months, its manufacturing sector index indicated slight expansion. However, the index dropped to a 41 month low in December, signaling a contraction in the manufacturing sector for that month. The Federal Reserve also reported that industrial production increased for the quarter. The Institute for Supply Management's services index increased this quarter at a rate above that of the previous quarter, and indicates that the services sector seemed to pick up modestly in the fourth quarter.

Job growth was fairly weak in the fourth quarter, with the unemployment rate maintaining at 7.8%, which is unchanged from

the previous quarter and on par with its level from January 2009. Some analysts felt that growth would have been higher had it not have been for the looming fiscal cliff, while others thought the December figure was inflated as a result of the temporary boost from post-Sandy rebuilding.

Consumer spending grew this quarter but was slightly less than the previous quarter. The fourth-quarter rate of increase in real disposable personal income was the fastest pace since the recession. This contributed to the personal savings rate increasing to 4.7% from 3.6% last quarter.

Unsurprisingly, the lack of economic growth left the unemployment rate unchanged for the quarter. Job growth in December was in line with analysts' expectations and was just enough to keep pace with the growth in the labor force. Some blamed the uncertainty surrounding the fiscal cliff as a detractor for December hiring. This seemed to be confirmed when the National Federation of Independent Business reported that nearly three-fourths of small-business owners found that, amid the political gridlock, it was a bad time to expand personnel. Despite the uncertainty and its potential resolve in January, few analysts see the rate of job growth changing much in 2013.

Consensus Economics Inc., publisher of *Consensus Forecasts—USA*, reports that the consensus of U.S. forecasters believes real GDP will increase at a seasonally adjusted annual rate of 1.6% in the first quarter of 2013 and 2.2% in the second quarter. Every month, Consensus Economics surveys a panel of 30 prominent U.S.

²⁴ Please see Appendix E for more detailed economic outlook information at the national and regional levels.

economic and financial forecasters (the forecasters) for their predictions on a range of variables, including future growth, inflation, current account and budget balances, and interest rates. The forecasters expect GDP to grow 1.9% in 2013, 2.8% in 2014, and 3.1% in 2015.

At the state level, the South Carolina Department of Commerce has indicated that jobless claims have remained stable, residential construction has increased, and the manufacturing sector showed signs of stability. Furthermore, the South Carolina Leading Index remained above 100, as it did throughout 2012, but only indicates slight growth in the upcoming 3-6 months. Moreover, unemployment is expected to linger around 8% for the next year and may not return to pre-recession levels without significant time elapsing.

The economic climate for the local area Pickens County and Greenville County (the closest metropolitan area, also referred to as the "County"), South Carolina appears to be more favorable than the rest of the state. Unemployment for Greenville County was 6.7% as of the end of 2012 as compared to 8.4% unemployment for the entire state.²⁵ In recent years, the County has been evolving into one of manufacturing and industry attracting international companies, which has contributed to lower unemployment and higher household income than other counties

in the state.²⁶ The outlook for the economy (at the national, state and local levels) was considered in the valuation of the Company.

²⁵ "Greenville County Community Indicators Report." Greenville Area Development Corporation. 4th Quarter, 2012.

²⁶ www.greenvillesc.gov/econdev

INDUSTRY CONDITIONS AND OUTLOOK

GENERAL INDUSTRY CONDITIONS AND OUTLOOK²⁷

In recent years, the marina industry has suffered from dramatic declines in discretionary spending which directly correlates to decreased boat sales. The decline in boat sales had a significant impact on downstream services such as the marina industry. To compound this problem, customers have dramatically reduced maintenance spending, food and beverage sales, and related merchandise, which often are part of ancillary services or products provided by marinas to their customers. The challenging industry conditions lead many marinas to adopt leaner cost structures which have contributed to higher profit margins in recent years as revenues have recovered.

The outlook for the industry is stable to slight growth with IBISWorld projecting annual revenue growth of 1.3%. The main drivers of this will be from marinas expanding services beyond slip rental in order to supplement revenue. Ancillary offerings such as equipment rental and restaurants have diminished in recent years and are expected to be the key driver going forward as marinas reinvest in these offerings. The biggest challenge to operators will be to keep a steady and knowledgeable workforce without significantly increasing costs. As inflationary pressures on workers pick up, turnover is expected to increase. This in turn can drive down productivity and customer service. The pressure will be to increase wages to increase employee retention. Whether marinas

will be able to pass on the increased costs to customers without affecting demand will be a significant consideration to marina owners.

A potential positive industry trend is that IBISWorld projects boat building to experience annual revenue growth of 6.5% from 2012-2017, as "continued gradual improvements in the general economy, including returning disposable incomes and growing consumer confidence will strengthen revenues."²⁸ This increase in manufacturing and sales should have the same trickle-down effect to the industry as experienced in the preceding five years.

The current economic conditions, as well as the outlook for the future of the industry were considered in the valuation of the Company.

²⁷ Please see Appendix G for more detailed industry outlook information.

²⁸ Setar, Lauren. "Boat Building in the U.S." IBISWorld. November, 2012.

OVERVIEW OF THE VALUATION APPROACHES

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INTRODUCTION

When valuing a business or an economic interest in a business, there are three general approaches recognized by the American Institute of Certified Public Accountants, the American Society of Appraisers Business Valuation Standards, the National Association of Certified Valuation Analysts, and valuation professionals:²⁹

1. the asset approach,
2. the market approach, and
3. the income approach.

Within each approach are various methods, or specific strategies, to implement the valuation approach. The decision to use one of these methods depends on the information available to the valuation analyst, the purpose of the valuation, as well as the ownership structure and degree of marketability of the economic interest in the business being valued.³⁰

ASSET APPROACH

The International Glossary of Business Valuation Terms defines the asset approach as “a general way of determining a value indication of a business, business ownership interest or security using one or more methods based on the value of the assets net of liabilities.”

²⁹ *Valuing a Business – The Analysis and Appraisal of Closely Held Companies*, Shannon P. Pratt and Alina V. Niculita, The McGraw-Hill Companies, Inc., 2008, Page 62

³⁰ *Ibid.*, Page 69

This approach is usually of greater importance when valuing companies that are marginally profitable or have no earnings history. This concept generally applies to a company with little value beyond the value of its tangible assets. The net asset value method is appropriate when the following criteria are met:

1. The subject company holds significant tangible assets;
2. There is little or no value added to the company's products or services from labor;
3. The company has no significant intangible assets; and
4. The balance sheet reflects all the company's tangible assets.

Examples of companies typically valued using these methods are:

1. Real estate investment companies;
2. Holding companies and other investment companies;
3. Some natural resource companies;
4. Start-up businesses; and
5. Small businesses, which are easy and relatively inexpensive to start.

MARKET APPROACH

The International Glossary of Business Valuation Terms defines the market approach as “a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests,

securities, or intangible assets that have been sold.” The Market Approach develops a value based on use of publicly traded stocks (Guideline Public Company Method), direct comparison to completed transactions of similar companies (Guideline Company Transactions Method), or by use of the prior transactions of the Company (Prior Transaction Method). The Guideline Company Transactions Method relies on multiples derived from sales of entire companies. The Guideline Public Company Method relies on market multiples for publicly traded stock.

Two main obstacles arise when utilizing the Market Approach – the ability to identify companies similar in nature to the company being valued and the availability of information regarding transactions of companies similar in nature to the company being valued. When comparable companies are identified and relevant transaction data is available, this approach can be a good indicator of value.

Guideline Public Company Method

The guideline public company method derives indications of value from transactions in publicly traded stocks. Multiples are derived based on the trading prices of the guideline stock and applied to the subject company. The control characteristics of the resulting value depend upon the subject company’s benefit stream applied to the multiple.

Guideline Company Transactions Method

The guideline company transactions method derives indications of value from companies that have recently been sold. Transaction data may be obtained from either public companies or from private transaction databases. The data associated with each transaction is very limited as to the type of services provided, number of employees, profitability and terms of the sale.

Prior Transactions Method

The prior transactions method derives indications of value from prior transaction in the subject entity. Transactions may not occur or may occur infrequently. If transactions have taken place, a great deal of information about these transactions can usually be obtained from management.

INCOME APPROACH

The International Glossary of Business Valuation Terms defines the income approach as “a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.” Two frequently used valuation methods under the income approach include the discounted future benefits method and/or a capitalization of benefits method. These methods estimate the value of a company based on its expected benefits stream. Generally, this can be accomplished by discounting future benefits

forecasted for a period of years or the capitalization of a benefits stream over one period. The discounted future benefits method is appropriate to use when the company's future operations are expected to be "substantially different" from current operations and the future operations can be forecasted with some accuracy. The capitalized benefits method is appropriate when the company is stable, and the historical results of operations are considered a good indicator of future results.

Unlike the asset approach, whereby each asset is valued at its estimated fair value, the income approach does not attempt to separately estimate the value of the intangible assets of the business. Rather, the tangible and intangible asset value(s) of the company are captured in the discounted or capitalized value of the expected benefits stream.

These methodologies require the identification of two components, the benefit stream to be discounted or capitalized and the discount or capitalization rate. The value resulting from the application of these methodologies should be tied specifically to the equity interest being valued. This may require adjustments to the benefit stream or the resulting value for items or amounts that do not relate to the ownership interest being valued.

The discount rate (a hypothetical investor's required rate of return to invest in common equity capital of the company) or the capitalization rate (the discount rate minus the expected long-term sustainable growth rate of the company) should reflect a rational

investor's expectations as to the risk associated with achieving the expected benefit stream that was discounted or capitalized.

VALUATION ANALYSIS

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INTRODUCTION

After giving consideration to each of the three general valuation approaches; the methods available for use within each approach; the size of the Company (asset base, gross revenues, etc.); its historic and future growth prospects, operating history, etc., and its access to capital markets, we considered all three approaches "as to their relative bearing"³¹ on the fair value of the Subject Interest but ultimately relied on the income approach.

ASSET APPROACH

Book value of an enterprise is the value of the equity if the company could be liquidated for the values shown on its balance sheet. As of December 31, 2012, the book value of the Company's common equity was \$356,626 before consideration of the revaluation of the Company's assets, including goodwill as distinguished from purchased goodwill, to their respective fair values. Additionally, other valuation approaches capture both the tangible and intangible asset values and are generally better suited for an operating company.

Although the asset approach was considered, it ultimately was rejected as an appropriate method for valuing the common equity of the Company because the Company's valuation is as a going concern. Furthermore, the Subject Interest is a non-controlling

limited ownership interest and is unable to independently decide whether to replace or liquidate assets or put them at their highest and best use.

As such, the asset approach was rejected as an appropriate method to value Warpath Development, Inc..

MARKET APPROACH

Prior Company Transactions

There was a prior company transaction on May 29, 2007, documented by the Stock Purchase Agreement, where 20,000 shares (of 40,000 outstanding shares) were purchased for \$1,000,000 and 60,000 shares were issued from the company for consideration of future services either in development or securing capital. After this transaction, there were 100,000 shares outstanding.

As this transaction happened in May of 2007, significant time has elapsed since the transaction. Additional permits have been acquired and land has been purchased for a waste water treatment site. Additionally, the company has accrued liabilities related to costs to advance the Development. Moreover, the economic conditions have changed as well as the investment appetite for potential investors. We have not relied on this method due to these factors.

³¹ *Santee Oil Co. v. Cox*, 265 S.C. 270, 273, 217 S.E. (2d.) 789 (1975).

Guideline Company Transaction Method

The application of the guideline company transaction method is dependent upon locating pertinent transactions of privately owned businesses similar in nature to the subject company's business type. Generally, details regarding the purchase and sale of privately owned businesses are unavailable. However, when reliable information is available and produces systematic indications of value, this method is believed to provide a strong indication of value because it demonstrates the intent of buyers and sellers in the market.

The guideline company transactions method derives indications of value from companies that have recently been bought and/or sold. Transaction data may be obtained from either public companies or from private transaction databases. We searched the Pratt's Stats™ database (7 observations) for transactions of companies classified under NAICS code 713930 ("Marinas").

We then refined our search to include only transactions that occurred during the last 5 years with sales greater than \$250,000 and less than \$5,000,000. We also eliminated transactions with insufficient financial information. After adjusting for these criteria, 0 transactions remained.

Due to a lack of transactions, the guideline company transaction method was not utilized in this valuation.

Guideline Public Company Method

We searched Yahoo! Finance,³² and Bloomberg, LP. (collectively referred to as the "Databases"), to identify publicly traded companies that were similar to the Company. The criteria we considered are below:

- Companies listed under North American Industry Classification System ("NAICS") code 713930 ("Marinas");
- The company was adequately traded on an exchange with daily pricing data available;
- Sufficient financial data was available; and
- Analysis of the descriptions of the companies. We focused on companies whose primary business was operating marinas.

The search produced no publicly traded companies in the industry. We did not rely on the public company method due to lack of comparable companies.

INCOME APPROACH

We considered an income approach that determines the value of a company based upon its expected annual benefit stream. There are several methods under this approach, each of which specifies a

³² <http://finance.yahoo.com>.

definition of economic benefits and the stakeholders to whom the benefits relate. In this appraisal, economic benefits are defined as the stable or evenly growing net cash flow to the Company's stakeholders. Projected cash flow is then converted to present value using a rate of return commensurate with the risk associated with achieving the benefit stream.

Based on the estimated earnings capacity of the Company, we determined that an income approach was the most appropriate approach for valuing the Company. An appropriate method for valuing the Company would be the Discounted Future Benefits method, in which expected future economic benefits (in this case, cash flow to equity) would be discounted at a rate of return commensurate with the risk of the benefit stream.

Discounted Future Benefits Method

In order to determine the value of the Subject Interest using the discounted future benefits method, we have applied an appropriate discount rate to the expected future economic benefits. The discount rate represents the rate of return commensurate with the risk associated with receiving the future benefit stream. The sections below explain the calculation of the expected annual net income and associated cash flows for WPI and the development of the discount rate as of the Valuation Date.

Cash Flow Projections³³

Separate cash flow projections were provided by the Company to various different channels for obtaining the necessary capital. The most recent projections were developed in 4th quarter of 2012 for proposed financing from Dakota Holdings. Moreover, we noted the assumptions shown in the latest version of Management's projections are not inconsistent to previous projections submitted with applications for financing to Vinings Marine Group, LLC, the Shakespeare Foundation, 1st Ticonderoga, and International Business Equity Solutions. We understand these cash flow projections are based on the analysis of general economic trends, the trends of the Company's markets and company-specific characteristics as well as industry data, and expected operating costs once the Company's facility reaches stabilization.³⁴

Uncertainty of future events and the confidence in the forecast is considered in the development of the required rate of return. Due to the discretionary nature of certain operating expenses, such as salaries and wages and advertising and promotions, as well as the option of retaining profits in the form of excess cash or other non-operating assets, the forecasted income statements and balance sheets may differ significantly from actual results. However, given the validity of the assumptions contained in the projections being proven by future performance, the projections do indicate the cash

³³ All forecasted numbers are per Managements' forecast unless specifically noted.

³⁴ Per discussion with Management.

flow capacity to pay equity holders if cash flow is not alternatively disposed.

In making dollar projections and required rates of return for business appraisals, inflation may be addressed by either of two methods. It may be included in both dollar values and discount rates or eliminated from both. As long as inflation is either included in both or eliminated from both, final values will be consistent under the two methods.³⁵ In this appraisal, dollar projections and discount rates include a factor for inflation. The specific assumptions regarding these projected statements (combined Phase I and Phase II) are discussed below.

Revenues and Gross Profit

Gross rental revenue is projected to be \$1,624,080 per year once reaching stabilization. This revenue is based on \$452,880 from rental of 102, 30-foot wet slips; \$354,000 from rental of 100, 25-foot dry-stack units; \$414,000 from rental of 100, 30-foot dry-stack units; \$307,200 from rental of 8, two-bedroom cabins; and \$96,000 from rental of 2, three-bedroom cabins. Management has estimated that vacancy for boat slips and cabin rentals will be 12%; therefore, net rental revenue will be \$1,624,080 at stabilization.

³⁵ Pratt, Shannon P., and Alina V. Niculita, "Valuing a Business: The Analysis and Appraisal of Closely Held Companies," 5th, New York: McGraw-Hill Companies, Inc. p.247.

Other income consists of boat rental (\$40,000), cottages (\$542,334), fuel services profit (\$157,000), hotel income (\$954,931), lodge restaurant income (\$156,000), marina restaurant (\$147,600), marina repair (\$62,400), RV and tent campsites (\$241,813), and ship store profit (\$30,000). Total other income at stabilization is projected to be \$2,332,078. Other income items are net of related expenses.

Lodging operations- Management's forecast assumes a rate of \$115 a night for 100 rooms with a 35% profit margin and 35% vacancy rate for hotel income. Forecasted two-bedroom cottage income assumes a rate of \$3,800 a month per 7 cottages with an 85% profit margin and 35% vacancy rate. Forecasted three-bedroom cottage income assumes a rate of \$4,600 a month per 12 cottages with an 85% profit margin and 35% vacancy rate.

Other operations- Management's forecast assumes lodge restaurant revenues of \$10,000 per week with a 30% profit margin. RV and tent campsites assume a 60% vacancy rate.

Total revenue net of direct expenses or gross profit is projected to be \$3,128,269 at stabilization.

Operating Expenses

Annual operating expenses include marketing of \$45,000, payroll of \$265,000, utilities of \$70,000, maintenance and replacement of \$65,000, property taxes of \$93,000, and insurance of \$95,000.

Total operating expenses are projected to be \$633,000 at stabilization.

Depreciation and Amortization

Management has not included an estimate of depreciation and amortization expense for the Company. As these are non-cash expenses and an add-back at deriving cash flow to equity, we have not computed depreciation or amortization.

Net Operating Income

Management's projection of gross profit of \$3,128,269, after reduction for operating expenses of \$633,000, results in stabilized net operating income ("NOI") for the Company of \$3,128,269 (of NOI is from Phase I and of NOI is from Phase II).³⁶

Warpath Development, Inc.
Warpath Phase I & II Combined Proforma Income and Expense
Managements Projections (Stabilized)
As of December 31, 2012

Income:

Gross Rental Income	\$ 1,624,080
Less Vacancy (12%)	<u>194,890</u>
Net Rental Income	1,429,190
Other Income (net)	<u>2,332,078</u>
Total Income	3,761,269

Operating Expenses:

Marketing	45,000
Payroll	265,000
Utilities	<u>70,000</u>
Maintenance and Replacement	65,000
Property Taxes	93,000
Insurance	<u>95,000</u>
Total Operating Expenses	633,000
Net Operating Income (NOI)	<u>\$ 3,128,269</u>

1. Based on Management's Projections but adjusted for mathematical errors found in sub-sheets.

Stabilization of Net Operating Income

As Management's projection of net operating income is at stabilization, a construction period and a ramp up period must be built into a forecast until reaching stabilization. For phase I, Rick Theonnes Sr. provided an estimate of 18 months for construction

³⁶ For pro forma financial statements for each phase independently refer to Appendix F

time. Previous models submitted with financing applications have included an estimate of 9 months for construction time. We have concluded an average of these two estimates of 14 months to be an appropriate estimate.

Therefore, Phase I will begin income producing in month 15, however, it will not be producing at a stabilized level at this time. In order to estimate the ramp up until stabilization, an estimate of 18 months with even ramp up has been estimated. This equates to 5.5% of stabilized monthly NOI being recorded in month 15, 11.1% of stabilized monthly NOI being recorded in month 16, and so forth until full ramp up is achieved in month 32.

Rick Theones Sr. provided estimated lag time of 5-6 months from the start of Phase I until Phase II commences and construction time of 18 months. We have adjusted both by the same factor as construction time for Phase I (14 divided by 18 equals 78%; therefore lag time is 6 times 78% equals 5 months and construction time is 18 months times 78% equals 14 Months). The result is Phase II does not begin income producing until month 20, at which time we have assumed the same 18 month even ramp up resulting in stabilized NOI from Phase II in month 37.

The projected ramp up to stabilization of NOI was extended out 8 years in order to encompass the payback period on capital contributions. As previously mentioned, Section 6 of Stock Purchase Agreement, dated May 29, 2007, requires Roberson to provide the necessary capital to secure long term financing and that this capital shall be repaid prior to any distribution or dividend

is paid to Ballard, Theonnes, or Theonnes III. As we are valuing a distributional interest, we have extended projections out until the initial capital provided by Roberson has been repaid. For the detail tables presenting this forecast refer to Appendix H – Management's Projections.

Cash Flow to Equity

Management's estimate of expected net operating income at stabilization represents the on-going earnings capacity of the Company. To calculate the on-going expected benefit stream available to shareholders, we made certain adjustments in arriving at cash flow to equity.

Depreciation and Amortization Expense

Since depreciation and amortization are non-cash expenses, they are added back to net income. As previously mentioned, Management has not computed depreciation and amortization on their projections. Accordingly, there is no adjustment in deriving cash flow to equity for the Company.

Working Capital

As the revenues for a company increase, its working capital typically grows. Since the increase in working capital represents additional investment that is not included in the income statement, net income is reduced by the adjustment in calculating cash flow. Based on an analysis of the historical working capital

requirements of the Company and projected future working capital requirements of the Company, management expects an increase in working capital requirements of 2.0% of incremental total income.

Capital Expenditures

In order to accurately reflect reinvestment of income into future operations, the effect of expansion and upkeep of the facilities, projected cash flow include consideration for funds required for these purposes. Management has included maintenance and replacement in deriving net operating income. Additionally, as the Development will be new, no additional capital expenditures were adjusted for in deriving cash-flow during the projected discrete period.

Debt Service

Debt service, or principal and interest paid on debt, reduce cash flow available to equity. Based on communication with market participants and information obtained on RealtyRates.com, the average interest rate on a construction loan for similar type properties would approximate 7.5% and would have loan origination fees of approximately 3.5%.³⁷ Additionally, equity

³⁷ We noted the Lodging, the Mobile Home (RV Park), the Restaurant, and the Special Purpose Categories had average interest rates ranging from 7.05% to 7.98% and fees ranging from 3.14% to 3.89%. While not identical in characteristics to the Development we believe these categories to be reflective of the current terms required by the credit market for similar debt.

required to facilitate lending would approximate 50% of project costs; therefore, we have calculated loan amounts based on the project being equally financed through equity contribution and debt.

Based on the 19 month projected construction time, we have computed the loan balance at completion of construction to be \$11,096,620. This assumes 30% of the cost of each phase is at onset and 10% of the cost every two months beginning in month 3 and thereafter (see accompany Exhibit I - Draw Schedule).

The most likely terms of the construction loan would be that the interest would be deferred until construction is completed (Month 19). As which point the construction loan balance of \$11,096,620 (now comprised of principal and deferred interest), would likely convert to an interest only loan until income has stabilized. At this point, the construction loan would begin to amortize until permanent financing arrangements could be made. Based on communications with market participants, amortization would likely begin about Month 49 as most of the preceding year (11 months) would have stabilized NOI. The monthly principal payment based on 240 months is of \$46,236 for Months 49-60.

Permanent financing would likely require two to three years of stabilized NOI to replace the construction loan. Therefore, the permanent loan has been projected to occur in the beginning of Month 61 (outstanding principal of \$10,541,789). Based on communication with market participants and information obtained on RealtyRates.com, the average interest rate on a permanent loan

for similar type properties would approximate 6.5%³⁸ and would have loan closing costs approximating 2.0%. Based on outstanding principal and 2.0% origination fees, the permanent loan would have a balance of \$10,752,625 assuming a fixed monthly principal payment of \$44,803 (based on a monthly 20 year amortization term).

Subordinated Shareholder Debt Service

The Stock Purchase Agreement, dated May 29, 2007, stipulates that all capital provided by Roberson be returned prior to any distribution or dividend to the other shareholders, therefore, we have included the repayment of this capital in our projected discrete period. As WPI, is organized as a Subchapter S Corporation, special allocations on equity are not permissible. To work around these rules, shareholders will often treat such capital as subordinated debt. In order for the debt to be treated as legitimate debt, the applicable federal rate ("AFR") must be applied, in this case the mid-term rate. The mid-term AFR as of the Valuation Date, was 0.95% and was applied to the outstanding subordinated debt until its payoff in year 8.

³⁸ We noted the Lodging, the Mobile Home (RV Park), the Restaurant, and the Special Purpose Categories had average interest rates ranging from 5.34% to 6.48%. While not identical in characteristics to the Development we believe these categories to be reflective of the current terms required by the credit market for similar debt.

Risk Analysis and Required Rate of Return

When applying the capitalization of benefits method or the discounted future benefits method, the future benefits (cash flow) expected to be generated by a business is converted to present value using a rate of return that reflects the relative risk of achieving that benefit stream.

The Morningstar *Ibbotson Stocks Bonds Bills and Inflation 2013 Yearbook*³⁹ ("SBBBI") provides statistical data concerning historical rates of return or cost of equity capital for certain investment classifications. From this information, a build-up approach can be used to approximate the appropriate return required by equity investors to entice their investment in a company. The process involves the addition of various risk premiums or incremental return requirements to the rate of return required in a risk free investment with a similar time horizon. Factors influencing the capitalization rate are described below:

Risk-free rate - We relied on the yield to maturity for the 20-year long-term U.S. Treasury bond. U.S. Treasury bonds often serve as a proxy for risk free investments; they are deemed (default) risk-free because they pose neither uncertainty in timing of the economic benefit nor risk of default to the holder of receiving the benefit. As of December 31, 2012, the risk-free rate approximated 2.5%.

³⁹ Morningstar, Inc. "Ibbotson Stocks, Bonds, Bills, and Inflation (SBBBI) 2012 Valuation Yearbook." Chicago: Morningstar, Inc., 2012.

Common Stock Equity Premium - This is the average annual return for large capitalization, stocks minus the average annual return for long-term government bonds and represents the additional return demanded by investors to invest in large capitalization stocks versus long-term government bonds. According to the 2013 SBBI, the long-horizon expected equity risk premium was 6.7%.⁴⁰

Risk Adjustment For Size Of Company - Investors require a larger return to invest in smaller companies which are often viewed as less stable than larger companies. The size premium compensates the investor for taking on this additional level of risk. We relied on the size premium of 6.0% as indicated by the 2013 SBBI for the 10th decile.⁴¹

Company Specific Risk Premium - The risk premium for unsystematic risk attributable to the specific company that measures the specific risks associated with internal and external operating issues of the business is the company specific risk premium.

Given these higher risks, purchasers and investors in a closely held business such as the Company typically require returns which are greater than those required of the majority of publicly traded companies. The returns required of the hypothetical investor fall

into a broad range due to the vast differences in risk levels among closely held companies. The Company faces a risk for its lack of access to capital markets which are available to publicly traded companies. This additional risk factor results in risk premia (increments to the required rate of return) to induce an average willing buyer to invest in the Company as opposed to an average small capitalization publicly held stock.

While there are barriers to entry, such as capital requirements, site requirements, and bodies of water within proximity to the Development, they are not insurmountable. If a competitor positions itself within the market, the Company could be susceptible to the loss of potential revenue from its customers.

Smaller, closely-held firms, such as WPI, typically rely on owners' resources. If they survive the dangers of undercapitalization they are then likely able to make use of other sources of funds such as trade credit and short-term loans from banks. However, rapid growth by the Company, at this stage could lead to the problem of illiquidity which would follow from an over-reliance on short-term financing. The over-reliance on short-term financing would result from the lack of availability of long-term funds, such as debentures or equity issues in the public markets.

Small, closely-held businesses are often faced with the inability to diversify, meaning that they can be more significantly affected than larger firms in the event of an economic downturn. This stems from the fact that larger companies may operate in several different sectors; if one part of their business is badly affected,

⁴⁰ Morningstar, Inc. "Ibbotson Stocks, Bonds, Bills, and Inflation (SBBI) 2012 Valuation Yearbook." Chicago: Morningstar, Inc., 2012.

⁴¹ Ibid.

other parts may be doing better, enabling them to survive more easily. A smaller company is more likely to specialize in one type of business and, therefore, if business is down or demand has fallen back there is unlikely to be any offset anywhere else.

To quantify the additional risk to a hypothetical investor, a 7.0% company specific risk premium was added to the required rate of return of 15.3% attributable to the average small capitalization publicly held company resulting in a 22.0% (rounded) equity rate of return required for the Company.

Terminal Capitalization Rate – As we are assuming a sale of the Development in the residual period, it is appropriate to use a capitalization rate corresponding with the underlying property such as for marinas and hotels of similar characteristics. Based on discussions with industry participants, we assumed an 11% Net Operating Income (NOI) capitalization rate in order to estimate the expected sales price. The passage of time and risk of achieving this sale are captured in the discount rate developed above as the net proceeds are converted to present value.

Application of the Discounted Future Benefits Method

Operating cash flows available to equity were forecasted individually for each year from Year 1 to Year 8. The cash flows after Year 8 are assumed to increase at an average annual rate of per year. Therefore, after Year 8, the cash flow assumption fits the constant-growth capitalization model frequently used in business appraisals. The expected sales price of WPI at the end of Year 8

was \$30,754,333.⁴² The expected sales price at the end of Year 8, less the costs to sell the property of \$1,230,173 (based on 4% of proceeds), less remaining principal on debt of \$9,139,731, equates to a net proceeds of \$20,384,428. The net proceeds plus the cash flows for each year during Year 1 through Year 8 were discounted to present value using the required rate of return of 22.0% developed above, with the assumption that cash flows would be received evenly throughout the year.⁴³ The resulting value of \$4,366,564 is the indicated value of a 100% controlling, marketable interest in the equity of Warpath Development, Inc.

⁴² Cash Flow to Equity/Capitalization Rate.

⁴³ Mid-year Convention.

Warpeth Development, Inc.
Discounted Cash Flow to Equity¹
As of December 31, 2012

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Residual Period
Cash Flow									
Net Operating Income	\$ -	\$ 505,760	\$ 2,359,265	\$ 3,128,269	\$ 3,190,834	\$ 3,254,051	\$ 3,319,744	\$ 3,386,139	\$ 3,386,139
Minus: Change in Net Working Capital	-	(13,031)	(44,789)	(17,405)	(1,505)	(1,535)	(1,565)	(1,597)	(3,162)
Less: Debt Service	-	(346,769)	(832,247)	(832,247)	(1,368,005)	(1,220,535)	(1,185,589)	(1,150,643)	-
Cash Flow Available for Subordinated Debt	-	145,959	1,482,230	2,278,617	1,821,324	2,032,581	2,132,589	2,233,899	3,382,977
	-	(145,959)	(1,482,230)	(2,278,617)	(1,821,324)	(2,032,581)	(2,132,589)	(2,233,899)	3,382,977
Cash Flow to Equity									946,450
Multiplied by the Present Value Factor	0.9054	0.7421	0.6083	0.4986	0.4087	0.3350	0.2746	0.2251	
Present Value of Cash Flow Available to Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,009

Indication of Value:		
Sum of Present Value of Cash Flow Available to Equity	\$ 213,009	
Present Value of Terminal Value	4,153,554	
Indicated Value of Equity	4,366,564	
Indicated Equity Value, Prior to Discounts (Rounded)	\$ 4,367,000	
		Sale of Property (Net Cash) Residual Cash Flow Capitalization Rate Gross Proceeds Less: Selling Costs (4%) Less: Loan Balance End of Year 8 Net Cash (Net of Debt) Present Value Factor Present Value of Net Cash
		\$3,382,977 11.0% 30,754,333 (1,230,173) (9,139,731) 20,384,428 0.2038 \$4,153,554

Indication of Value

Based on our analysis of the Discounted Future Benefits Method, we determined an indication of value of the equity of the Company to be \$4,366,564. Therefore, the indicated value of 20,000 shares or a 20% Ownership Interest would be \$873,000 (rounded) on non-controlling, marketable basis as of December 31, 2012.

Warpeth Development, Inc.
Valuation Summary¹
As of December 31, 2012

Indicated Value of Equity	\$ 4,366,564
Pro Rata Value of a 20% Ownership Interest	\$ 873,313
Indicated Value of Equity	\$ 873,313
Indicated Value of Equity (rounded)	\$ 873,000

1. Numbers may appear incorrect due to rounding.
2. Standard of Value is Fair Value. Therefore, no discounts for lack of control or lack of marketability are applied.

Any applicable adjustments to the indicated equity value are discussed in the following section of this report.

CONCLUSION OF VALUE

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We have performed a *valuation* engagement, as that term is defined in the Statement on Standards for Valuation Services ("SSVS") of the American Institute of Certified Public Accountants, of 20,000 shares or a 20% Ownership Interest in Warpath Development, Inc. as of December 31, 2012. The objective of this appraisal is to estimate the fair value, on a going-concern basis, of 20,000 shares or a 20% Ownership Interest in Warpath Development, Inc., as of December 31, 2012. This valuation was performed solely to assist the Company in determining the fair value of the ownership interest held by the departing shareholder, Andrew Ballard; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose.

This valuation engagement was conducted in accordance with the SSVS. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, the estimate of the fair value of 20,000 shares or a 20% Ownership Interest is \$873,000.

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Appendix A and to the Valuation Analyst's Representation found in Appendix B. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

APPENDIX A – ASSUMPTIONS AND LIMITING CONDITIONS

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This Report is subject to the following assumptions and limiting conditions:

1. We have no present or contemplated financial interest in Warpath Development, Inc.. Our fees for this engagement are based upon our normal hourly billing rates and are not contingent upon the results of our findings.
2. This Report was performed only for the purposes specified herein, and may not be used out of the context in which it is presented. We have no responsibility or obligation to update this Report for events or circumstances occurring after the date of this Report.
3. Information, estimates, and opinions contained in this Report, including any information concerning publicly traded companies or information regarding the markets for securities, were obtained from sources considered to be reliable. However, we did not independently verify such information, and assume no liability for the accuracy of information obtained from or provided by such sources.
4. Warpath Development, Inc. and their representatives warranted to us that the information they supplied was complete and accurate to the best of their knowledge, and that the financial information properly reflects Warpath Development, Inc.'s results of operations and financial condition in accordance with generally accepted accounting principles. Information supplied by management has been accepted as correct without further verification, and we express no opinion regarding the accuracy or completeness of such information.
5. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
6. Financial statements and other related information provided by Warpath Development, Inc. or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting Warpath Development, Inc.'s business conditions and operating results for the respective periods, except as specifically noted herein. Dixon Hughes Goodman LLP has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
7. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
8. If prospective financial information approved by management has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other

form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

9. We have conducted interviews with the current management of Warpath Development, Inc. concerning the past, present, and prospective operating results of the Company.
10. We do not provide assurance on the achievability of the results forecasted by Warpath Development, Inc. because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on the actions, plans, and assumptions of management.
11. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

12. Our engagement does not include any procedures designed to discover defalcations or other irregularities, should any exist.

13. This Report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the Report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Dixon Hughes Goodman LLP, based on information furnished to them by Warpath Development, Inc. and other sources.

14. This Report, its information and findings are confidential and are not to be published, copied, reproduced, disclosed, or disseminated in any way by any means, in whole or in part, without the express prior written permission of a duly authorized officer of Dixon Hughes Goodman, LLP. Neither all nor any part of the contents of this Report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent

and approval of a duly authorized officer of Dixon Hughes Goodman LLP.

15. Dixon Hughes Goodman LLP is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this Report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Dixon Hughes Goodman LLP does not conduct or provide environmental assessments and has not performed one for the subject property.

16. Dixon Hughes Goodman LLP has not determined independently whether Warpath Development, Inc. is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. Dixon Hughes Goodman LLP's valuation takes no such liabilities into account, except as they have been reported to Dixon Hughes Goodman LLP by Warpath Development, Inc., and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the Report. To the extent such information has been reported to us, Dixon Hughes Goodman LLP has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

17. Dixon Hughes Goodman LLP has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

18. Nothing in this Report constitutes a solicitation to sell or recommendation to buy any securities or assets of the subject entity, nor should this Report be considered investment advice within the meaning of any applicable securities laws. We express no opinion, guarantees or form of assurance of any kind, express or implied, on the potential investment performance resulting from a purchase of the subject entity's securities or assets.

19. Future services regarding the subject matter of this Report, including, but not limited to testimony or attendance in court, shall not be required of Dixon Hughes Goodman LLP unless previous arrangements have been made in writing.

20. We assume Warpath Development, Inc. was formed in accordance with the requirements of its respective jurisdiction.

21. We assume Warpath Development, Inc. is in full compliance with all federal, state, and local regulations and laws unless the lack of compliance is stated, defined, and considered in this Report.

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22. We are not licensed attorneys. Any comments, discussions or analyses of Warpath Development, Inc.'s documents or any other federal or state law, provision or regulation is not to be considered a legal opinion. Our focus is to consider all relevant factors which might affect value, and estimate the extent of the economic impact of such factors.
23. No change of any item in this Report shall be made by anyone other than a duly authorized officer of Dixon Hughes Goodman LLP, and we shall have no responsibility for any such unauthorized change.
24. Unless otherwise specifically stated, no effort has been made to determine the possible effect, if any, on Warpath Development, Inc. due to future federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.
25. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this Report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.
26. We do not purport to be a guarantor of value. Valuation of ownership interests is an imprecise science, with value being a question of fact, and reasonable people can differ in their estimates of value. We have used conceptually sound and commonly accepted methods and procedures of valuation in determining the estimate of value included in this Report. However, actual sale or acquisition prices may vary materially from our conclusion of value.
27. This Report is also subject to the terms of our engagement letter with Messrs. Wallace K. Lightsey and Joshua Howard dated December 14, 2012.
28. To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purposes of avoiding penalties under the Internal Revenue Code.

APPENDIX B – CERTIFICATION / REPRESENTATION OF VALUATION ANALYST

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We hereby certify / represent that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The analyses, opinions and conclusion of value included in this Report are subject to the specified assumptions and limiting conditions included in the Report, and they are our personal, impartial, and unbiased professional analyses, opinions and conclusion of value.
- We have no present or prospective/contemplated financial or other interest in the business or property that is the subject of this Report, and we have no personal financial or other interest or bias with respect to the property or the parties involved.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the outcome of the valuation, the amount of the conclusion of value, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this valuation.
- The economic and industry data included in this Report have been obtained from various printed or electronic reference sources that we believe to be reliable. We have not performed any corroborating procedures to substantiate that data.
- Our analyses, opinions, and conclusions were developed and this Report has been prepared in conformity with the American Institute of Certified Public Accountants *Statement on Standards for Valuation Services* and the National Association of Certified Valuation Analysts *Professional Standards for Conducting and Reporting on Business Valuations*.
- The parties for which the information and use of this Report is restricted are identified; the Report is not intended to be and should not be used by anyone other than such parties.

Messrs. Wallace K. Lightsey and Joshua Howard
Warpath Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

-
- We have no obligation to update the Report or the conclusion of value for information that comes to my attention after the date of the Report.
 - No one, other than Matthew D. Bernstein, CPA/ABV, CMA, and John S. Evans, CPA, CM&AA, an employee of Dixon Hughes Goodman LLP, provided significant professional assistance to the persons signing this certification.

Dixon Hughes Goodman LLP


B. Perry Woodside, III, Ph.D.

APPENDIX C - VALUATION ANALYST'S QUALIFICATIONS



B. Perry Woodside, III, Ph.D.

Role on Engagement Team:

Director

Location:

Charleston, SC

Contact Information:

843.727.3214 direct

Perry.Woodside@dhgllp.com

DIRECTOR

Perry has over 30 years of university level teaching and consulting experience in the areas of litigation support and business interest valuations. Perry retired from the College of Charleston as Professor Emeritus of Finance in 2007 and joined Dixon Hughes on a full-time basis at that time. Throughout his teaching career he maintained an active consulting practice, specializing in valuation services and litigation support. Perry has extensive experience in valuing companies and various classes of securities and ownership interests. These engagements have involved a diverse range of industries for gift and estate planning purposes, tax planning, merger and acquisition advisory purposes and S-Corp conversions. He has also performed valuations of various classes of stock, employee stock options in compliance with SFAS 123-R, ESOPs, debt instruments and limited partnership interests. Perry also has extensive litigation support experience in the analysis of economic damages associated with personal injury, wrongful death/termination actions and a variety of commercial damage engagements including lost profits analyses and firm value diminution analyses.

EXPERT WITNESS

Perry has been designated as an expert witness and has presented deposition and trial testimony in Federal and State Courts in six states.

EDUCATION

- Ph.D., Finance, Economics and Accounting, University of South Carolina, 1978
- Master of Business Administration, University of South Carolina, 1970
- Bachelor of Arts, Economics and Business Administration, Furman University, 1968

PROFESSIONAL AND CIVIC ORGANIZATIONS

- American Academy of Economic and Financial Experts, Founder and past Board Member
- National Association of Forensic Economists
- Institute of Business Appraisers, Inc.
- YMCA of greater Charleston, Board Member



Matthew D. Bernstein, CPA/ABV, CMA

Role on Engagement Team:

Manager

Location:

Charleston, SC

Contact Information:

843.727.3264 direct

Matthew.Bernstein@dhgllp.com

MANAGER

Matt practices in the areas of taxation, forensics, business valuation, and litigation matters. He has more than 15 years of business, finance and technical experience. His responsibilities include planning, supervising, scheduling and reviewing of business valuation engagements, assisting with consulting engagements and staff development. Matt also prepares valuations of closely-held businesses and employee stock options for the purposes of ASC Topic 718, ASC Topic 805, mergers & acquisitions, litigation, gift & estate planning, and marital dissolution. In litigation matters, he has addressed financial and economic issues and has contributed to the development of calculations for economic damages related to business impairment, business value and intellectual property infringement. Matt also serves clients in taxation and IRS challenges related principally to reasonable compensation, transfer pricing, employment taxes and personal income tax return audits. Matt has serviced clients in various industries including banking, construction, hospitality, wholesale, heavy equipment, utilities, healthcare, real estate, and limited partnerships.

EXPERT WITNESS

Matt has been designated as an expert witness and has presented deposition and trial testimony in various courts.

EDUCATION

- Bachelor of Science in Business Administration, College of Charleston
- Bachelor of Science in Economics, College of Charleston
- Bachelor of Arts in German with Secondary Teaching, College of Charleston
- Bachelor of Science in Accounting, College of Charleston

PROFESSIONAL AND CIVIC ORGANIZATIONS

- American Institute of Certified Public Accountants (AICPA)
- South Carolina Association of CPAs (SCACPA)
- Controller, Isle of Palms Exchange Club

LICENSES AND CERTIFICATIONS

- CPA – Licensed in SC
- ABV – Accredited in Business Valuation
- CMA – Certified Management Accountant



John Evans, CPA, CM&AA

Role on Engagement Team:

Senior Associate

Location:

Charleston, SC

Contact Information:

843.727.3271 direct

John.Evans@dhgllp.com

SENIOR ASSOCIATE

John has more than 6 years of public accounting and finance experience. He has worked on business valuations, tax planning, and merger and acquisition advisory for clients in numerous industries. John also has worked on tax compliance in corporate, LLC, and partnership Federal and state reporting. John has experience in security analysis of derivative securities and non-derivative securities including dilutive effect of various derivatives.

EDUCATION

- Elon University, Bachelor of Science, Business
- University of Charleston, Master of Accountancy

PROFESSIONAL AND CIVIC ORGANIZATIONS

- American Institute of Certified Public Accountants (AICPA)
- South Carolina Association of Certified Public Accountants (SCACPA)
- Alliance of Merger and Acquisitions Advisors

LICENSES AND CERTIFICATIONS

- CPA: Certified Public Accountant
- CM&AA: Certified Merger & Acquisition Advisor

APPENDIX D – SOURCES OF INFORMATION

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APPENDIX E – ECONOMIC CONDITIONS AND OUTLOOK

NATIONAL ECONOMIC CONDITIONS AND OUTLOOK⁴⁴

The U.S. economy contracted in the fourth quarter for the first time since the recession. Many economists considered this contraction a surprise, since most expected slow growth at somewhere around the rate of 1% to 2%. The mainstays of the private economy—consumer spending, business investment in equipment and software, and residential fixed investment (housing)—all continued to be solid this quarter. Unfortunately, a deceleration in business inventories, a drop in exports, and declining government spending were too much of a drag on GDP. Many were quick to point out that the contraction may have been caused by one-time factors—both business inventories and defense spending, the major driver of the decrease in government spending, are considered volatile. In fact, the research firm Capital Economics called the GDP report "the best-looking contraction in U.S. GDP you'll ever see." Ultimately, while this was the U.S. economy's first contraction in more than three years, very few saw the decline as an indication that the economy will slip into a recession. So while the forecasts are certainly not calling for

unbridled growth over the next year, there is little reason to be overly dire about the GDP report.

Unsurprisingly, the lack of economic growth left the unemployment rate unchanged for the quarter. Job growth in December was in line with analysts' expectations and was just enough to keep pace with the growth in the labor force. Some blamed the uncertainty surrounding the fiscal cliff as a detractor for December hiring. This seemed to be confirmed when the National Federation of Independent Business reported that nearly three-fourths of small-business owners found that, amid the political gridlock, it was a bad time to expand personnel. Despite the uncertainty and its potential resolve in January, few analysts see the rate of job growth changing much in 2013. Another negative blip in the December jobs report was that the labor-force participation rate, which measures workers and those looking for jobs, remained near a 30-year low. On the bright side, Americans did experience an increase in disposable income this quarter, which grew at the fastest pace since the recession.

Consumer confidence reports were not positive this quarter. Both the Conference Board's Consumer Confidence Index and the Thomson Reuters/University of Michigan Index of Consumer Sentiment dropped. Both organizations placed heavy blame on the uncertainty that Washington was creating for consumers stemming from the political gridlock over the fiscal cliff. When asked to spontaneously identify the most recent economic news they have heard, a record-breaking number of consumers mentioned hearing about prospects for higher taxes.

⁴⁴ All of the contents of the economic outlook section of this valuation report are quoted from the Economic Outlook Update™ Fourth Quarter 2012 published by Business Valuation Resources, LLC, © 2012, reprinted with permission. The editors and Business Valuation Resources, LLC, while considering the contents to be accurate as of the date of publication of the Update, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this valuation report.

The major stock indexes slid in the fourth quarter amid uncertainty surrounding the November elections and potential tax increases. Despite the weak fourth-quarter performance, strong first and third quarters were enough for the major indexes to end the year with solid gains. Many low-yield bonds continued to have negligible current income in the fourth quarter, so investors pursued higher-risk, higher-yielding issues.

The Federal Reserve decided to continue to keep its target for the federal funds rate near zero, but in a rather major shift, it announced that future changes to short-term interest rates would be linked with a specific level of unemployment. Chairman Ben Bernanke said the Federal Reserve will not raise rates until unemployment falls to 6.5% or lower, provided the long-term outlook for inflation remains around 2%.

The Institute for Supply Management reported that, after hitting a 41-month low in November and signaling that the manufacturing sector was contracting, its manufacturing index ended December at a level signaling a very slow expansion. The Federal Reserve also reported that industrial production was up slightly for the quarter. The Institute for Supply Management's services sector index increased this quarter and ended December at a level indicating that the services sector was expanding modestly.

The housing market continued to look strong this quarter. Residential fixed investment increased for the seventh straight quarter. Privately owned housing starts were up nearly 40% from one year ago, and building permits authorized were up almost 30%

from a year ago. The December privately owned housing starts rate was the highest since June 2008. Compared to the third quarter, annualized housing starts in the fourth quarter were 82% higher—the largest jump since the 1980s. Private residential construction spending was up almost 24% from one year ago. Existing home sales slipped at the end of the year, but this was due to a lack of inventory, which hit its lowest supply since May 2005. As a result, home prices continued to rise, with December marking the 10th consecutive monthly year-over-year price gain.

To summarize, this quarter's contraction was a speed bump, not a crash. Most economic commentators are calling for slow, steady growth in the quarters to come. "Steady growth" sounds attractive, but the Economic Policy Institute points out the problems of underutilized resources. When it compares the ratio of actual GDP to potential GDP (potential GDP estimates how much output could have been produced had all productive resources—mostly labor and capital equipment—been fully utilized), it finds that we are only slightly better off than we were at the recession's trough. In fact, when put into dollar terms, the Economic Policy Institute finds that the economy forfeited well over \$900 billion in 2012 because of resources that were idled by the Great Recession and have failed to recover.

Gross Domestic Product

The U.S. Department of Commerce reported that the nation's economy—as indicated by GDP—contracted at an annual rate of 0.1% in the fourth quarter. This was the first decline since the

recession ended and was below most economists' predictions, since most economists expected a modest expansion. The fourth-quarter 2012 rate was even more disappointing when compared with the previous quarter's growth rate of 3.1%. GDP is the total market value of goods and services produced in the U.S. economy and is generally considered the most comprehensive measure of economic growth.

The Economic Policy Institute ("EPI") notes that the fourth-quarter contraction was driven by multiple factors that are most likely transitory. In other words, it would be premature to believe that the fourth-quarter figure is a signal of a return to a full-blown recession. Both private inventory investment and government spending weighed heavily on GDP, but these components are regarded as volatile, and EPI believes there is little reason to believe they will continue to drag as heavily in future quarters. On the other hand, others see things differently. For example, the biggest cuts to government spending came from reduced military spending, and David Berteau, a former Defense Department official who now heads the International Security Program at the Center for Strategic and International Studies in Washington, D.C., firmly believes these cuts are a "trend." Reports say the companies tied to the defense industry are already bracing for cuts.

Despite the contraction, there was some positive news in the fourth-quarter GDP report. Business investments in equipment and software rose for the 13th time in 14 months, and consumer spending grew for the 12th consecutive quarter. Also, disposable

personal income was boosted significantly in the fourth quarter by increased dividends, as many firms anticipated higher tax rates in 2013 and decided to pay accelerated or special dividends before the end of 2012. Another positive takeaway from the report was that the economy expanded 2.2% in 2012, an improvement from 2011's growth of 1.8%.

The U.S. Department of Commerce found that the decrease in real GDP in the fourth quarter primarily reflected negative contributions from private inventory investment, federal government spending, and exports that were partly offset by positive contributions from personal consumption, nonresidential fixed investment, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased.

The downturn in real GDP in the fourth quarter primarily reflected downturns in private inventory investment, in federal government spending, in exports, and in state and local government spending that were partly offset by an upturn in nonresidential fixed investment, a larger decrease in imports, and an acceleration in personal consumption.

Consumer Spending

Consumer spending grew at a rate of 2.2% during the fourth quarter of 2012. This is an acceleration from the prior quarter's rate of 1.6% and marked the 12th consecutive quarterly increase in consumer spending. Consumer spending—also referred to as

personal consumption—accounts for approximately 70% of the U.S. GDP.

Many analysts note that it is hard to know what consumer spending will look like in the near future. One thing consumer spending has in its favor is the substantial income gains consumers experienced this quarter after years of stagnation. In fact, the income gains allowed consumers to spend more this quarter, while also saving more than they did in the previous quarter. The GDP report showed after-tax income rose at its fastest pace since the recession. In addition, consumers may be feeling more secure as rising home prices may give them the confidence to spend more freely. In contrast, with the temporary tax cuts set to expire, virtually every wage earner is scheduled to pay higher payroll taxes, and higher income households may see their rates increase—lighter paychecks tend to weigh heavily on consumer confidence and spending.

This quarter's growth in consumer spending contributed 1.52 percentage points to the fourth-quarter GDP.

Overall consumer spending increased 1.9% in 2012, after growing 2.5% in 2011.

Consumer spending on durable goods—items meant to last three years or more, such as computers, cars, and machinery—increased at a rate of 13.9% in the fourth quarter, compared with 8.9% in the previous quarter. Consumer spending on durable goods increased 7.8% in 2012 and 7.2% in 2011.

Consumer spending on nondurable goods—items such as food and gasoline—increased at a rate of 0.4% this quarter, down from a rate of 1.2% last quarter. Consumer spending on nondurable goods increased 0.9% in 2012 and 2.3% in 2010.

Service expenditures grew at a rate of 0.9% this quarter, an acceleration from 0.6% in the previous quarter. Consumer spending on services increased 1.3% in 2012, after growing 1.9% in 2011.

According to the U.S. Department of Commerce, total retail and food service sales in the fourth quarter increased 1.4% from the previous quarter and are up 4.7% from one year ago. Automobile and parts sales increased 2.6% during the fourth quarter and 7.6% over the last 12 months. Electronic and appliance store sales increased 0.9% this quarter and are up 1.3% from a year ago. Gasoline station sales increased 1.8% and are up 2.0% over the last 12 months. Food services and drinking places sales increased 2.3% this quarter and 7.7% over the last 12 months. Grocery store sales increased 0.7% this quarter and are up 3.3% from a year ago.

Government Spending

Total government spending declined at a rate of 6.6% in the fourth quarter, the ninth quarterly decline in 10 quarters. This quarter's reduction in government spending subtracted 1.33 percentage points from the fourth-quarter GDP. Total government spending decreased by 1.7% in 2012 and 3.1% in 2011.

Federal government spending decreased at a rate of 15.0% in the fourth quarter, after growing at a rate of 9.5% in the previous quarter. Federal government spending declined by 2.2% in 2012 and 2.8% in 2011.

National defense spending decreased at rate of 22.2% this quarter, after national defense experienced its biggest spending cut in 40 years. This came after growth at a rate of 12.9% in the previous quarter. National defense spending declined 3.1% in 2012, after decreasing 2.6% in 2011.

State and local government spending declined at a rate of 0.7% in the fourth quarter, after increasing at a rate of 0.3% in the previous quarter. State and local government spending has declined 12 of the last 13 quarters. State and local government spending declined 1.3% in 2012 and 3.4% in 2011.

Fixed Investments

Business spending, also known as nonresidential fixed investment, increased at a rate of 8.4% in the fourth quarter. Business spending has now increased six of the last seven quarters. Business spending contributed 0.83 percentage points to the fourth-quarter GDP. Business spending increased 7.7% in 2012 and 8.6% in 2011.

Business spending on structures (nonresidential structures) decreased at an annual rate of 1.1% in the fourth quarter, after remaining unchanged in the prior quarter. Business expenditures on equipment and software increased at a rate of 12.4% for its

13th quarterly increase in 14 quarters. Business spending on equipment and software was a solid contributor to GDP this quarter, adding 0.86 percentage points.

Residential fixed investment, often considered a proxy for the housing market, increased at an annual rate of 15.3% during the fourth quarter, continuing the strong growth seen in the second and third quarters. This quarter's growth in residential fixed investment made a 0.36-percentage-point contribution to the fourth-quarter GDP. Residential fixed investment increased 11.9% in 2012, but declined 1.4% in 2011.

Business Inventories

Business investments in inventories decelerated rapidly in the fourth quarter, as businesses slashed inventories by nearly \$40 billion compared to the previous quarter. The deceleration of business inventory investment subtracted 1.27 percentage points from the fourth-quarter GDP. The slower growth in inventories was the biggest factor behind this quarter's GDP contraction and came after a large jump last quarter. Companies tend to cut back on inventories if they anticipate a slowdown in sales, and slower inventory growth means factories likely produced less. Some analysts pointed to weak global economic conditions as the culprit, as U.S. exports declined notably. Other analysts felt the reduction in inventory investments might have been due to inventory accumulating too quickly last summer, causing some businesses to become cautious about restocking. Regardless of the reason, one thing seems clear: With inventory levels now depleted, many

businesses will be forced to replenish their stocks, potentially boosting growth in the first quarter of 2013.

Exports and Imports

Net exports were a drag on growth this quarter, subtracting 0.25 percentage points from the fourth-quarter GDP.

Exports decreased at an annual rate of 5.7% in the fourth quarter, following last quarter's increasing rate of 1.9%. Weak global economic conditions fueled the fourth-quarter decrease, as exports contracted by about \$27 billion. Exports increased 3.2% in 2012 and 6.7% in 2011.

Foreign imports, which are a subtraction in the calculation of GDP, decreased at an annual rate of 3.2% during the fourth quarter. This follows last quarter's declining rate of 0.6%. Imports increased 2.5% in 2012 and 4.8% in 2011.

Consumer Prices and Inflation

According to the U.S. Department of Commerce, the price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 1.3% in the fourth quarter, compared with an increase of 1.4% last quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.1% in the fourth quarter, compared with an increase of 1.2% in the previous quarter.

The U.S. Department of Labor reported that the Consumer Price Index ("CPI") was unchanged in December on a seasonally adjusted basis. This came after a decline of 0.3% in November and an increase of 0.1% in October. CPI is a measure of a basket of products and services, including housing, electricity, food, and transportation, and is used as a measure of inflation. In December, a 1.2% drop in the energy index offset increases in the other indexes, most notably food and shelter. The energy index has dropped for three consecutive months, mostly a result of declining gasoline prices. Gasoline was the only major index within the energy index to decline in December; the indexes for natural gas and electricity both increased. The food index rose 0.2% in December, the seventh consecutive month, with five of the six major grocery store food groups all increasing. The fruits and vegetables index posted the largest increase of the grocery store food groups. Over the last 12 months, CPI has climbed 1.7%. Over the last 12 months, the food index has risen 1.8% and the energy index has increased 0.5%.

Core CPI, a measure of inflation that excludes volatile food and energy costs, increased 0.1% in December on a seasonally adjusted basis. This came after an increase of 0.1% in November and 0.2% in October. The shelter index rose in December, with an increase in the rent index offsetting a decline in the lodging away from home index. The index for airline fares increased for the fourth consecutive month. The index for medical care increased 0.1%, as the medical care services index increased, but the index for medical care commodities declined. The index for tobacco increased in December, after declining the prior two months. The

indexes for recreation, household furnishings, used cars and trucks, and apparel all declined. The index for used cars and trucks has now declined for six consecutive months. Core CPI has risen 1.9% over the last 12 months.

The U.S. Department of Labor reported that the Producer Price Index ("PPI") declined 0.2% in December on a seasonally adjusted basis. This was the third consecutive monthly PPI decline, as the index declined 0.8% in November and 0.2% in October. PPI is a gauge of inflation in the manufacturing process that can be a precursor to inflation in consumer prices. Both the indexes for food and energy declined in December. The 0.9% December decline in the food index was the first drop in seven months. Over one-third of the decline in the December food index was the result of a drop in the index for beef and veal. Lower prices for vegetables and cheese also were factors in the decline in PPI. The energy index moved down 0.3% in December and has now declined for three consecutive months. The main driver of the December energy index decline was falling gasoline prices, though lower prices for liquefied petroleum gas was also a factor. PPI has increased 1.3% over the last 12 months.

Core PPI—which does not include volatile food and energy prices—increased 0.1% on a seasonally adjusted basis in December. This came after an increase of 0.1% in November and a decrease of 0.2% in October. Higher prices for cigarettes were the primary reason for the Core PPI advance in December.

Energy Prices

The Energy Information Administration ("EIA") reported that the spot price for a barrel of West Texas Intermediate ("WTI") crude oil was \$91.83 at the end of the fourth quarter. This is down from \$92.81 per barrel at the end of last quarter. A year ago, the spot price for a barrel of WTI crude oil was \$98.83.

The regular retail gas price (conventional areas) was \$3.25 per gallon at the end of the fourth quarter. This is down from \$3.78 per gallon at the end of last quarter. A year ago, the regular retail gas price was \$3.21 per gallon.

The Henry Hub natural gas spot price was \$3.43 per million Btu ("MMBtu") at the end of the fourth quarter, up from \$3.08 per MMBtu at the end of last quarter. A year ago, the Henry Hub natural gas spot price was \$2.98 per MMBtu.

The residential price for propane was \$2.43 per gallon, down from \$2.86 per gallon one year ago. The residential price for heating oil was \$3.97 per gallon, up from \$3.83 per gallon one year ago.

Interest Rates

The Federal Open Market Committee ("FOMC") met twice during the fourth quarter of 2012, issuing two statements on its target for the federal funds rate. As expected, the FOMC continued its pledge to keep its target for the federal funds rate near zero. The federal funds rate is the interest rate at which a commercial bank lends

immediately available funds in balances at the Federal Reserve to another commercial bank. The FOMC establishes a target rate and expands or contracts the money supply with the aim that the federal funds rate, a market rate, will approximate the target rate.

What was unexpected was the FOMC's decision to link its target rate to a specific level of unemployment, as opposed to giving a specific date, which it had done previously. The FOMC pledged to leave rates near zero until unemployment falls to 6.5% or lower, provided the long-term outlook for inflation remains around 2%. Based on projections, the target rate is expected to remain near zero into 2015. In addition to keeping target rates near zero, the Federal Reserve pledged to continue purchasing Treasury securities and agency mortgage-backed securities. The goal in making these purchases is to hold down long-term interest rates, making it less expensive for consumers and businesses to borrow, which, in turn, may stimulate growth.

The FOMC stated that the information it has received indicated that the economy has been expanding moderately. It expressed concern that unemployment remains high, despite slight improvements since the summer. Further, while household spending has continued to grow, business spending has slowed. The FOMC believes that the housing sector continues to show further signs of improvement. It notes that, apart from temporary fluctuations in energy prices, inflation has been running somewhat below its longer-run objective of 2%. Regardless, the FOMC anticipates that inflation over the medium term likely will run at or

below its 2% objective and expects longer-term inflation to remain stable.

During the fourth quarter of 2012, the Board of Governors of the Federal Reserve left the discount rate unchanged, at 0.75%. The discount rate is the interest rate a commercial bank is charged to borrow funds, typically for a short period, directly from a Federal Reserve Bank. The board of directors of each Reserve Bank establishes the discount rate every 14 days, subject to the approval of the Board of Governors.

Unemployment and Personal Income

The U.S. Department of Labor reported that the unemployment rate was 7.8% at the end of the fourth quarter (or approximately 12.2 million unemployed), unchanged from the end of the third quarter. The economy added 155,000 jobs in December, which was in line with most analysts' expectations, after adding 161,000 jobs in November.

December's growth was just enough to keep pace with the underlying growth in the labor force, but not enough to bring down the unemployment rate. Some analysts felt that growth would have been higher had it not have been for the looming fiscal cliff, while others thought the December figure was inflated as a result of the temporary boost from post-Sandy rebuilding. For 2012 as a whole, job growth averaged 153,000 net new jobs a month—the same as the average monthly gain for 2011 and enough to merely maintain the current unemployment rate. Most

analysts see the rate of job creation changing little in the coming months of 2013, as the underlying economy is not yet strong enough to support aggressive job growth estimates by economists. The labor force participation rate, which measures workers and those looking for jobs, remained stalled at 63.6% in December, near a 30-year low.

December employment increases were most notable in health care (up 45,000), food services and drinking places (38,000), construction (30,000), and manufacturing (25,000). Rebuilding after Hurricane Sandy may have helped boost employment in both construction and manufacturing. Employment in other major industries—including retail trade, mining and logging, transportation and warehousing, financial activities, and professional and businesses services—showed little change in December. For the third consecutive quarter, the government cut jobs, with layoffs at both the federal and local levels.

There were 4.76 million long-term unemployed (those jobless for 27 weeks or more), which made up 39.1% of unemployed persons at the end of December. This was essentially unchanged from 4.78 million long-term unemployed (approximately 40.0%) at the end of November.

Average hourly earnings for all private-sector employees rose by seven cents in December, to \$23.73. Average hourly earnings for all private-sector employees have increased by 2.1% over the past 12 months. Average hourly earnings for private-sector production and nonsupervisory employees increased by six cents in December,

to \$19.92. Average hourly earnings for private-sector production and nonsupervisory employees have increased 1.7% over the past 12 months.

The U.S. Department of Commerce reported that current-dollar personal income increased \$256.2 billion (7.9%) in the fourth quarter, compared with an increase of \$72.7 billion (2.2%) in the previous quarter.

Personal current taxes increased \$21.0 billion in the fourth quarter, compared with an increase of \$10.0 billion last quarter.

Disposable personal income increased \$235.2 billion (8.1%) in the fourth quarter, compared with an increase of \$62.7 billion (2.1%) in the previous quarter. Real disposable personal income increased 6.8% in the fourth quarter, compared with an increase of 0.5% in the previous quarter. The fourth-quarter rate of increase in real disposable personal income was the fastest pace since the recession.

Personal outlays increased \$95.0 billion (3.3%) in the fourth quarter, compared with an increase of \$88.6 billion (3.1%) last quarter. Personal saving—disposable personal income less personal outlays—was \$570.0 billion in the fourth quarter, compared with \$429.8 billion in the previous quarter.

The personal saving rate—saving as a percentage of disposable personal income—was 4.7% in the fourth quarter, up from 3.6% last quarter.

Consumer Confidence

The Conference Board's Consumer Confidence Index stood at 66.7 at the end of the fourth quarter, down from 68.4 at the end of the prior quarter. Though the index increased in October, it proceeded to decline in both November and December. A sharp decline in consumers' expectations caused the December drop. The Conference Board attributed this sagging confidence to the oncoming fiscal cliff, since a similar decline in expectations occurred in August 2011 during the debt ceiling talks. While consumers were more negative about their short-term outlook, they were more positive in December than in the previous month regarding current business and labor market conditions.

The Consumer Confidence Index is an indicator designed to measure the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. A month-on-month decreasing trend in the Consumer Confidence Index suggests consumers have a negative outlook on their ability to secure and retain good jobs, whereas a rising trend in consumer confidence indicates improvements in consumer buying patterns. Opinions on current conditions make up 40% of the index (the Present Situation Index), with expectations of future conditions comprising the remaining 60% (the Expectations Index).

The Thomson Reuters/University of Michigan's Index of Consumer Sentiment plunged in December. At the end of December, the index stood at 72.9, down from 82.7 in November and 78.3 at the end of the third quarter. Much of the blame for the December

drop was placed on the political gridlock, which many consumers feared would push the country over the fiscal cliff. Consumers were more pessimistic about their future finances, the outlook for the overall economy, and job prospects. Consumers' personal finance expectations fell to their lowest level in a year, and two-thirds of consumers anticipated either a slowdown or a downturn in the economy. When asked to spontaneously identify what economic news they have recently heard, 25% of consumers mentioned hearing about prospects for higher taxes—the highest level ever recorded.

The Thomson Reuters/University of Michigan's Survey of Consumers is a rotating panel survey based on a nationally representative sample that gives each household in the contiguous U.S. an equal probability of being selected. Interviews are conducted throughout the month by telephone. The Index of Consumer Sentiment is composed of the Index of Consumer Expectations and the Current Conditions Index and is intended to gauge how consumers feel about when the economic environment will change. The survey's Index of Consumer Expectations is an official component of the U.S. Leading Economic Index.

The National Federation of Independent Business ("NFIB") reported that the Small Business Optimism Index crept up 0.5 points in December, to 88.0, remaining the second lowest reading since March 2010. The current index reading of 88.0 is a recession-level reading. NFIB was quick to point out that if it were not for population growth supporting consumption and net new small business creation, we would have no growth at all. The poor

December report was the result of a perceived deterioration of the labor market, a large percentage of business owners who still expect that business conditions will worsen in the next six months. The political gridlock over the impending tax increases and spending cuts left many small-business owners with feelings of uncertainty about the economy's future. In December, 70% of small-business owners characterized the current period as a bad time to expand.

The Small Business Optimism Index is compiled from a survey that the NFIB conducts each month of its members. The index is a composite of 10 seasonally adjusted components based on questions on the following: plans to increase employment, plans to make capital outlays, plans to increase inventories, expectations of whether the economy will improve, expectations of whether real sales will be higher, current inventory, current job opening, expected credit conditions, whether now is a good time to expand, and earnings trend. This index is watched because small businesses are responsible for a majority of new job creation and the NFIB focuses on this sector of the economy.

Stock Markets

The uncertainty surrounding the November elections, as well as potential tax increases coupled with spending cuts, caused stocks to slide in the fourth quarter. Mid- and small-cap stocks outperformed large-cap stocks this quarter, and value stocks outperformed growth stocks across all market capitalizations. There was mixed performance among the various S&P 500 sectors.

Financial stocks were particularly strong. Industrials and business services, materials, and consumer discretionary shares also outperformed the broad market. Healthcare stocks were flat, and telecommunication services and information technology performed the worst. Despite the weak fourth-quarter performance, the major indexes had solid gains for the year overall. Some investors attributed the strong performance of U.S. stocks in 2012 to the belief that the U.S. market was attractive when compared to other countries—much of Europe remained in a recession, and Japan technically entered a recession in December.

The Dow Jones Industrial Average ("Dow") dropped 2.5% in the fourth quarter, but gained 7.3% for the year. The Dow is an index of 30 of the largest and most widely held public companies in the U.S. and is considered the most-watched index in the world.

The NASDAQ Composite index ("NASDAQ"), consisting mainly of high-tech stocks, lost 3.1% in the fourth quarter. Regardless, the NASDAQ gained 15.9% in 2012.

The S&P 500 declined 1.0% in the fourth quarter, but rose 13.4% in 2012. The S&P 500 consists of a representative sample of 500 leading companies of the U.S. economy and is one of the most commonly used benchmarks for the overall U.S. stock market.

The Wilshire 5000 index dropped 0.3% in the fourth quarter, but ended the year with a gain of 13.7%. The Wilshire 5000 accounts

for virtually every U.S.-based publicly traded company listed on the major exchanges with readily accessible price information.

The Russell 2000 index grew 1.4% this quarter and is up 14.6% for the year. The Russell 2000 Index serves as a benchmark for small cap stocks in the U.S. stock market.

The Chicago Board Options Exchange Volatility Index ("VIX")—a popular volatility measure—began the fourth quarter at 15.73 and ended at 18.02. The highest closing VIX reading this quarter was 21.79, compared with last quarter's high of 20.47. The average VIX reading this quarter was 16.74, compared to 16.21 last quarter.

The VIX represents the implied volatility of 30-day options on the Standard & Poor's 500 stocks and has been termed by some as the "fear gauge." Accordingly, the VIX represents the expected volatility of the market, as represented by the S&P 500. Stock market professionals use the VIX to gauge investor sentiment.

Investopedia says the following: "VIX values greater than 30 are generally associated with a large amount of volatility as a result of investor fear or uncertainty, while values below 20 generally correspond to less stressful, even complacent, times in the markets."

Bond Markets

Most low-yield bonds continued to have negligible current income in the fourth quarter, so investors pursued higher-risk, higher-

yielding issues. Investment-grade corporate bond yields dropped to record lows, fueled by solid performance in the sector. High-yield bonds performed even better due to strong investor demand and generally healthy corporate fundamentals. High-yield bond seekers also sought out commercial mortgage-backed securities. Agency-backed residential mortgage securities declined, as rising prepayments and sales by private investors outweighed purchases from the Federal Reserve as part of its quantitative easing program.

The 30-day T-bill rate was 0.02% at the end of the fourth quarter, down from 0.06% at the end of last quarter. The five-year Treasury ended the fourth quarter with a yield of 0.72%, compared with 0.62% at the end of the previous quarter.

The 10-year Treasury bond yield was 1.78% at the end of the fourth quarter, up from a yield of 1.65% at the end of the previous quarter. The 20-year Treasury bond yield was 2.54% at the end of the fourth quarter, compared with 2.42% at the end of the previous quarter.

Moody's seasoned Aaa and Baa corporate bonds ended the fourth quarter with a yield of 3.67% and 4.63%, respectively, compared with yields of 3.42% and 4.72% at the end of last quarter.

The prime lending rate was 3.25% at the beginning of the fourth quarter and remained there through the end of December. The discount window (primary credit) remained at 0.75% during the fourth quarter.

Construction

According to the U.S. Census Bureau, privately owned housing starts in December were at a seasonally adjusted annual rate of 954,000, up 12.1% from the previous month and 36.9% from one year ago. The construction of single-family homes increased 8.1% in December and are up 18.5% from one year ago. Construction in the multifamily home sector grew 23.1% in December and are up 115.7% from one year ago. The multifamily home sector, which consists of buildings with five units or more, tends to be more volatile than the single-family home sector. The December housing starts rate was the highest since June 2008. Compared to the third quarter, annualized housing starts in the fourth quarter were 82% higher—the largest jump since the 1980s.

Building permit authorizations for privately owned housing units, considered a good leading indicator of demand for new homes, were at a seasonally adjusted rate of 900,000 in December. This was 0.3% above the November rate and 28.8% above the rate from one year ago. Building permits for single-family housing units were up 1.8% in December and 27.3% from one year ago. Building permits for multifamily housing units dropped 1.0% in December, but are up 35.0% from one year ago.

The U.S. Census Bureau reported that overall spending on new construction during December 2012 was at a seasonally adjusted annual rate of \$885.0 billion. This figure is 0.9% above the November rate of \$876.9 billion and 7.8% above the \$820.6 billion

rate from one year ago. The value of construction in 2012 was \$850.2 billion, 9.2% above the \$778.2 billion spent in 2011.

Spending on all private construction was at a seasonally adjusted annual rate of \$614.9 billion in December, 2.0% above the November rate of \$602.9 billion and 2.2% above the rate from one year ago. Private residential construction spending was at a seasonally adjusted annual rate of \$308.2 billion in December, 2.2% above the November rate of \$301.7 billion and 23.6% above the rate from one year ago. Private nonresidential construction was at a seasonally adjusted annual rate of \$306.7 billion in December, 1.8% above the November rate of \$301.2 billion and up 7.6% from a year ago.

The total value of private construction in 2012 was \$574.6 billion, up 16.1% from the amount spent in 2011. Spending on residential construction in 2012 was \$276.8 billion, up 16.8% from the amount spent in 2011. Spending on nonresidential construction was \$297.7 billion in 2012, up 15.4% from the amount spent in 2011.

The seasonally adjusted annual rate of total public construction spending was \$270.1 billion in December, down 1.4% from the November rate of \$274.1 billion, and down 5.6% from a year ago. Educational construction was at a seasonally adjusted annual rate of \$65.5 billion in December, 0.7% below the November rate of \$66.0 billion, and down 6.4% from a year ago. Highway and street construction was at a seasonally adjusted annual rate of \$78.5 billion in December, 0.7% above the November rate of \$78.0 billion, but 4.6% below the rate from one year ago.

The total value of public construction in 2012 was \$275.6 billion, down 2.7% from the amount spent in 2011. Spending on educational construction was \$67.7 billion in 2012, 3.5% below the amount spent in 2011. Spending on highway construction was \$79.3 billion in 2012, 0.6% below the amount spent in 2011.

Manufacturing

The Federal Reserve published that, after dropping at a rate of 0.3% in October, industrial production grew 1.0% in November and 0.3% in December. The Federal Reserve credited the increase to recovery of production that had been lost in the wake of Hurricane Sandy. For the fourth quarter as a whole, industrial production increased at an annual rate of 1.0%. At 98.1% of its 2007 average, total industrial production in December was up 2.2% from its level a year earlier. Industrial production is an output measure of the industrial sector of the economy. The industrial sector includes manufacturing, mining, and utilities.

Manufacturing grew at an annual rate of 0.2% in the fourth quarter, after declining at a rate of 1.0% last quarter. Manufacturing has risen 2.4% over the past 12 months.

The output of mines grew at a rate of 10.1% in the fourth quarter, compared with a rate of 5.2% in the previous quarter. Mining output has increased 3.3% over the past 12 months.

The output of utilities fell at a rate of 5.9% in the fourth quarter, as unseasonably warm weather kept the demand for heating down. The output of utilities has declined 0.3% over the past 12 months.

Capacity utilization averaged 78.5% during the fourth quarter. The fourth-quarter figure is down slightly from an average of 78.6% in the previous quarter. Capacity utilization is the percentage of production capacity manufacturers actually use. Capacity utilization averaged 78.7% in 2012 and 76.8% in 2011.

The U.S. Census Bureau announced that new orders for manufactured durable goods in December increased \$10.0 billion (4.6%), to \$230.7 billion. This increase followed a 0.7% November increase. Excluding defense, new orders increased 1.2%. Excluding the volatile transportation orders, new orders increased 1.3%. Orders for transportation equipment, up after two consecutive monthly decreases, had the largest December increase, at 11.9%. New orders for nondefense capital goods excluding volatile aircraft orders—an indicator of business spending strength—increased 0.2% in December, after increasing 3.0% in both November and October.

The Institute for Supply Management ("ISM") reported that its monthly Manufacturing Index (known as "PMI") was at 50.7% at the end of the fourth quarter, down slightly from 51.5% at the end of the previous quarter. PMI is an indicator of the economic health of the manufacturing sector and is based on data compiled from purchasing and supply executives nationwide. Though PMI ended 2012 at a level signaling a slight expansion, the index dropped to a

41-month low in November, signaling a contraction in the manufacturing sector for that month. While new orders remained flat and production slowed in December, the number of manufacturing jobs continued to trend upward—potentially fueled by rebuilding after Hurricane Sandy—and new orders indicated the first increase in foreign demand for U.S.-manufactured goods in seven months. While the December improvement was modest, it was significant in the sense that it brought the index out of a level signaling a contraction in the manufacturing sector. Of the 18 manufacturing industries surveyed, only seven reported growth in December.

The December reading of 50.7% is below the 12-month average of 51.7%, but above the 12-month high of 49.5%.

A reading above 50% indicates that the manufacturing economy is generally expanding; a reading below 50% indicates that it is generally contracting. A PMI in excess of 42.5%, over a period of time, generally indicates an expansion of the overall economy. Therefore, the December PMI indicates an expansion in the manufacturing sector, after signaling a contraction in November, and growth in the overall economy for the 43rd consecutive month.

Services

ISM reported that its Non-Manufacturing Index (known as “NMI”) increased to 56.1% at the end of the fourth quarter, from 55.1% at the end of the prior quarter. NMI measures the strength of the

services sector and is based on data compiled from purchasing and supply executives nationwide. In December, the new orders index increased for the 41st consecutive month and the employment index increased for the fifth consecutive month. Of the 18 services industries surveyed, 13 reported growth in December. Many of the respondents reported that business activity was slightly higher than normal and that things seemed to pick up in the fourth quarter.

The December reading of 56.1% is above the 12-month average of 54.7%, but below the 12-month high of 57.3%.

A reading above 50% indicates the nonmanufacturing sector of the economy is generally expanding, whereas a reading below 50% indicates the nonmanufacturing sector is generally contracting. The reading in December indicates continued growth for the 36th consecutive month in the nonmanufacturing sector.

Real Estate

National Association of Realtors

The National Association of Realtors (“NAR”) reported that existing-home sales slipped somewhat in December, but remain well up from one year ago, while limited inventory has continued to contribute to higher home values.

NAR's chief economist said:

Record low mortgage interest rates clearly are helping many home buyers, but tight inventory and restrictive mortgage underwriting standards are limiting sales. The number of potential buyers who stayed on the sidelines accumulated during the recession, but they started entering the market early last year as their financial ability and confidence steadily grew, along with home prices. Likely job creation and household formation will continue to fuel that growth. Both sales and prices will again be higher in 2013.

Existing-home sales—which are completed transactions that include single-family, townhomes, condominiums, and co-ops—declined 1.0% in December, but are up 12.8% from one year ago. Home sales in the Northeast rose 3.2%, sales in the Midwest fell 5.9%, sales in the South dropped 3.0%, and sales in the West rose 5.1%. For the year, total existing-home sales were 4.65 million in 2012, a 9.2% increase from 4.26 million in 2011. It was the highest volume since 2007, when it reached 5.03 million, and the strongest increase since 2004.

NAR's Realtors Confidence Index ("RCI") for current conditions of single-family homes stood at 56 in December, while the figure was 39 for townhomes and 31 for condos (strong = 100; moderate = 50; weak = 0). The RCI is a key indicator of housing market strength based on a monthly survey of over 50,000 real estate practitioners. Practitioners are asked about home sales, prices, and market conditions. In the RCI report, NAR members noted that demand

continues to expand faster than supply and that the market has steadily moved toward a seller's market.

Distressed homes—foreclosures and short sales generally sold at deep discounts—comprised 24% of home sales in December, up from 22% in November, but below the 32% from a year ago. In December, 12% of the distressed home sales were attributed to foreclosures and 12% were attributed to short sales. Foreclosures sold for an average discount of 17% below market value in December, while short sales sold at an average discount of 16%.

Home prices continued to rise in December, marking the 10th consecutive monthly year-over-year price gain, which last occurred from August 2005 to May 2006. The national median existing-home price for all housing types was \$180,800 in December, up 11.5% from a year ago—the strongest increase since November 2005. For all of 2012, the median existing-home price was \$176,600, a 6.3% increase from \$166,100 in 2011, and the strongest annual price gain since 2005.

Total housing inventory at the end of December fell 8.5%, to 1.82 million existing homes available for sale, which represents a 4.4-month supply at the current sales pace, down from a 4.8-month supply in November. December's housing inventory was the lowest housing supply since May 2005, which was near the peak of the housing boom. Listed inventory is down 21.6% from a year ago, when there was a 6.4-month supply. Raw unsold inventory is at the lowest level since January 2001, when there were 1.78 million homes on the market.

NAR also reported that, according to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was at a record low 3.35% in December. This was the same rate as in November and below the rate of 3.96% a year ago.

Pending home sales decreased in December, but remained on an upward trend. The data reflect contract signings, not closings. NAR's Pending Home Sales Index ("PHSI"), a forward-looking indicator based on contract signings, fell 4.3 percentage points, from 106.3 in November to 101.7 in December. The index is up 6.9 percentage points from a year ago. NAR notes that pending home sales have risen for 20 consecutive months on a year-over-year basis.

The PHSI is an indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not closed, though the sale usually is finalized within one or two months of signing. There is a closer relationship between annual index changes (from the same month a year earlier) and year-ago changes in sales performance than with month-to-month comparisons. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined, as well as the first of five consecutive record years for existing-home sales.

A supply limitation was blamed for holding back contract signings in December, though NAR's chief economist believes this could change in the near future:

The supply limitation appears to be the main factor holding back contract signings in the past month. Still, contract activity has risen for 20 straight months on a year-over-year basis. Buyer interest remains solid, as evidenced by a separate Realtor® survey which shows that buyer foot traffic is easily outpacing seller traffic.

The PHSI in the Northeast fell 5.4 percentage points in December, but is up 8.4 points from a year ago. The Midwest rose 0.9 percentage points in December and is up 14.4 points from a year ago. The South index decreased 4.5 percentage points, but remains 10.1 points higher than a year ago. The West index fell 8.2 percentage points and is down 5.3 points from one year ago.

Homeownership Rates, Homeowner Vacancy Rates, and Rental Vacancy Rates

The U.S. Census Bureau found that the homeownership rate for the fourth quarter was 65.4%, down from last quarter's rate of 65.5%, but below the rate one year ago of 66.0%.

The U.S. Census Bureau reported that the national vacancy rate for rental housing in the fourth quarter was 8.7%, up from 8.6% last quarter. Rental vacancy is down from this time one year ago, when the rate was 9.4%. The national vacancy rate for homeowners was 1.9% in the fourth quarter, unchanged from last quarter. Homeowner vacancy is down from this time one year ago, when the rate was 2.3%.

Mortgage Bankers Association

The Mortgage Bankers Association ("MBA") believes that economic growth in the first half of 2013 will be slow and that labor market conditions are still weak. The MBA monthly commentary states that "housing remains as one of the few bright spots" of the U.S. economy. Its view is supported by an upward trend in home sales, purchase applications showing steady year-over-year growth, and refinance activity starting to rebound after dipping briefly over the holidays. It also pointed out that December housing starts reached the highest level in four years, with both single family and multifamily starts finishing 2012 with significant increases. The MBA believes this trend is likely to continue into 2013 because housing permits also displayed healthy upward growth.

National Association of Real Estate Investment Trusts

Investment returns for properties, as measured by the National Association of Real Estate Investment Trusts ("NAREIT"), were mostly positive in December, after a fairly rocky November and October. Home Financing was the only index that experienced declines in each month of this quarter.

National Council of Real Estate Investment Fiduciaries

Property index returns, as measured by the National Council of Real Estate Investment Fiduciaries ("NCREIF"), were up for the quarter. Of the property-type indexes, retail saw the best gains, but only by a small margin. Of the regional indexes, the South

outperformed the others, breaking a three-month streak for the West region. The NCREIF Property Index ("NPI") is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors—the great majority being pension funds. As such, all properties are held in a fiduciary environment.

Outlook

Consensus Economics Inc., publisher of *Consensus Forecasts—USA*, reports that the consensus of U.S. forecasters believes real GDP will increase at a seasonally adjusted annual rate of 1.6% in the first quarter of 2013 and 2.2% in the second quarter. Every month, Consensus Economics surveys a panel of 30 prominent U.S. economic and financial forecasters (the forecasters) for their predictions on a range of variables, including future growth, inflation, current account and budget balances, and interest rates. The forecasters expect GDP to grow 1.9% in 2013, 2.8% in 2014, and 3.1% in 2015.

They forecast personal consumption will increase at a rate of 1.5% in the first quarter of 2013 and 2.1% in the second quarter. They expect personal consumption to increase 1.8% in 2013 and 2.6% in 2014.

The forecasters believe unemployment will average 7.8% in both the first quarter and second quarter of 2013. They believe unemployment will average 7.7% in 2013.

The forecasters believe the three-month Treasury bill rate will be 0.1% at the end of the first quarter of 2013 and will remain at 0.1% through the end of 2013. They forecast the 10-year Treasury bond yield will be 1.8% at the end of the first quarter of 2013 and 2.0% at the end of the second quarter. They believe the 10-year Treasury bond yield will rise to 2.3% at the end of 2013.

They also believe consumer prices will rise at a rate of 1.5% in the first quarter of 2013 and 1.8% at the end of the second quarter. They expect consumer prices to increase 2.0% in 2013 and 2.3% in 2014. They expect producer prices to increase at a rate of 0.8% in the first quarter of 2013 and 1.5% in the second quarter. The forecasters anticipate producer prices will rise 1.9% in 2013.

The forecasters in the survey believe real disposable personal income will fall at a rate of 0.9% in the first quarter of 2013, before rising at a rate of 2.2% in the second quarter. They believe real disposable personal income will increase 1.1% in 2013 and 2.8% in 2014.

The forecasters expect industrial production to increase at a rate of 1.8% in the first quarter of 2013 and 3.1% in the second quarter. They forecast industrial production will increase 1.9% in 2013 and 3.2% in 2014.

Nominal pretax corporate profits will increase at a rate of 4.0% in 2013 and 5.0% in 2014, according to the forecasters. The forecasters project housing starts will be 980,000 in 2013.

The 32 participants in *The Livingston Survey* (the *Survey*) released their latest predictions in December. The participants, who the Federal Reserve Bank of Philadelphia surveys twice a year, project real GDP to grow at an annual rate of 2.1% between 4Q 2012 and 2Q 2013 (down from their previous estimate of 2.3%). They then expect GDP will increase at an annual rate of 2.3% between 2Q 2013 and 4Q 2013. They believe GDP will grow 2.5% annually over the next 10 years, down from their previous forecast of 2.7%.

The *Survey* noted that forecasts for the unemployment rate were unchanged from the previous *Survey*. They expect the unemployment rate to be 7.8% by June 2013, before decreasing to 7.7% by December 2013.

The forecasters in the *Survey* have modified their near-term predictions for consumer price inflation ("CPI") slightly. They expect CPI to be 2.1% in 2013, up slightly from 2.0% in their previous survey. They predict CPI will be 2.1% in 2014. The *Survey* expects CPI to average 2.5% over the next 10 years, unchanged from their forecast in the prior *Survey*. The *Survey* expects producer price inflation (PPI) to be 2.4% in 2013—up from the previous estimate of 2.1%—and to also increase 2.4% in 2014.

The *Survey* predicts the interest rate on three-month Treasury bills will be 0.11% at the end of June 2013—little changed from the

forecasters' previous estimate of 0.12%. The Livingston forecasters predict that the rate will continue to be 0.11% in December 2013, before rising to 0.20% by December 2014. The interest rate on 10-year Treasury bonds is predicted to reach 1.88% at the end of June 2013, down from the previous estimate of 2.50%. According to the *Survey*, the rate will then rise to 2.20% by December 2013 and to 2.75% by December 2014.

The forecasters from the *Survey* have somewhat decreased their previous projections for future S&P 500 values. They expect the S&P 500 will be at 1,437.4 at the end of June 2013, before climbing to 1,460.0 by the end of December 2013. They believe the S&P 500 will end 2014 at 1,550.0.

The National Association of Realtors' Realtors Confidence Index for the six-month outlook of single-family homes stood at 62 in December, while the figure was 44 for townhomes and 37 for condos (strong = 100; moderate = 50; weak = 0). The RCI is a key indicator of housing market strength based on a monthly survey of over 50,000 real estate practitioners. Practitioners are asked about their expectations for home sales, prices, and market conditions.

NAR believes existing home sales will increase to 5.08 million in 2013, before increasing to 5.40 million in 2014. NAR believes the median existing home sales price will increase to \$185,800 in 2013, before increasing to \$193,600 in 2013. It believes new single-family home sales will increase to 533,000 in 2013, before increasing to

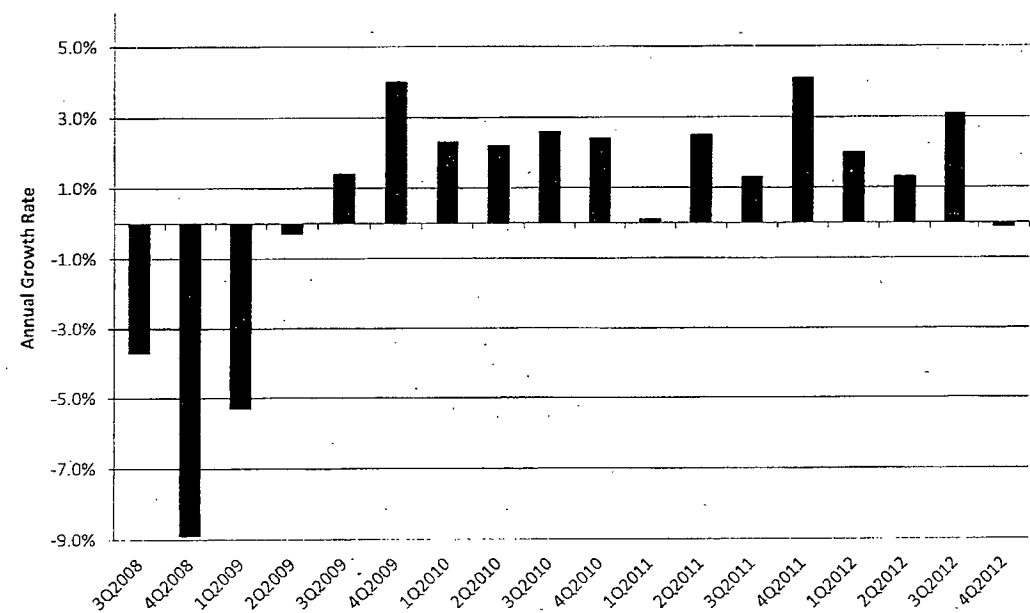
736,000 in 2014. NAR expects housing starts to increase to 1,105,000 in 2013, then to 1,361,000 in 2014. NAR believes the 30-year fixed mortgage rate will rise to 3.9% in 2013, before rising to 4.7% in 2013.

The Energy Information Administration predicts that the West Texas Intermediate ("WTI") crude oil spot price will average approximately \$89.54 per barrel in 2013 and \$91.00 per barrel in 2014, compared with \$94.12 in 2012. The EIA expects retail prices for regular-grade gas to average \$3.44 per gallon in 2013 and \$3.34 per gallon in 2014, compared with \$3.63 per gallon in 2012.

The EIA believes the Henry Hub natural gas spot price will average \$3.74 per million Btu ("MMBtu") in 2013 and \$3.90 per MMBtu in 2014, compared with \$2.75 per MMBtu in 2012. The cost of coal delivered to electric generating plants, which averaged \$2.40 per MMBtu in 2012, is expected to average \$2.44 per MMBtu in 2013 and \$2.50 per MMBtu in 2014. Residential electric prices, which averaged 11.87 cents per kilowatt-hour ("kWh") in 2012, are expected to average 12.09 cents per kWh in 2013 and 12.40 cents per kWh in 2014.

NATIONAL ECONOMIC OUTLOOK EXHIBITS

EXHIBIT 1: Real Gross Domestic Product



Source of data: U.S. Department of Commerce.
Notes: Figures are seasonally adjusted at annual rates. As the U.S. Department of Commerce issues revised data, some historically reported figures may change.

EXHIBIT 2: Historical Economic Data 2004-2012 and Forecasts 2013-2021

	HISTORICAL DATA									CONSENSUS FORECASTS**					
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-2021
Real GDP*	3.6	3.1	2.7	1.9	-0.3	-3.1	2.4	1.8	2.2	1.9	2.8	3.1	2.8	2.7	2.5
Industrial production*	2.3	3.3	2.2	2.5	-3.5	-11.4	5.4	4.1	3.6	1.9	3.2	3.3	2.8	2.7	2.7
Personal consumption*	3.5	3.4	2.9	2.3	-0.6	-1.9	1.8	2.5	1.9	1.8	2.6	2.6	2.6	2.5	2.3
Real disposable personal income*	3.6	1.3	4.0	2.4	2.4	-2.8	1.8	1.3	1.3	1.1	2.8	3.0	2.7	2.6	2.4
Nonresidential fixed investment*	6.0	6.7	8.0	6.5	-0.8	-18.1	0.7	8.6	7.7	3.1	5.8	5.4	4.4	4.4	4.0
Nominal pretax corp. profits*	24.0	16.8	10.5	-6.1	-17.4	7.5	26.8	7.3	6.4	4.0	5.0	4.2	3.2	3.2	4.6
Total government spending*	1.4	0.3	1.4	1.3	2.6	3.7	0.6	-3.1	-1.7	-0.4	-0.3	NA	NA	NA	NA
Consumer prices*	2.7	3.4	3.2	2.8	3.8	-0.4	1.6	3.2	2.1	2.0	2.3	2.3	2.4	2.4	2.4
3-month Treasury bill rate	1.4	3.2	4.9	4.5	1.4	0.2	0.1	0.1	0.1	0.1	0.3	1.5	2.7	3.4	3.8
10-year Treasury bond yield	4.3	4.3	4.8	4.6	3.7	3.3	3.2	2.8	1.8	2.3	2.9	3.9	4.6	4.9	3.8
Unemployment rate	5.6	5.1	4.6	4.6	5.8	9.3	9.6	9.0	8.1	7.7	7.2	NA	NA	NA	NA
Housing starts (millions)	1.956	2.068	1.801	1.355	0.906	0.554	0.587	0.609	0.780	0.980	1.240	NA	NA	NA	NA

Source of historical data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau, and The Federal Reserve Board.

Source of forecasts: Consensus Forecasts—USA, December 2012.

Notes:

*Numbers are based on percent change from preceding period. Consumer prices are the percent change between annual averages.

Historic unemployment rate, 3-month Treasury rate, and 10-year Treasury yield are the annual averages.

**Forecast numbers are based on percent change from preceding period (excludes unemployment rate, housing starts, 3-month Treasury rate, and 10-year Treasury yield). Consumer Price Index information is the percent change between annual averages. The 2012 through 2017 forecasts for the 3-month Treasury rate and 10-year Treasury yield are for the end of each period. Forecasts for 2018-2021 signify the average for that period.

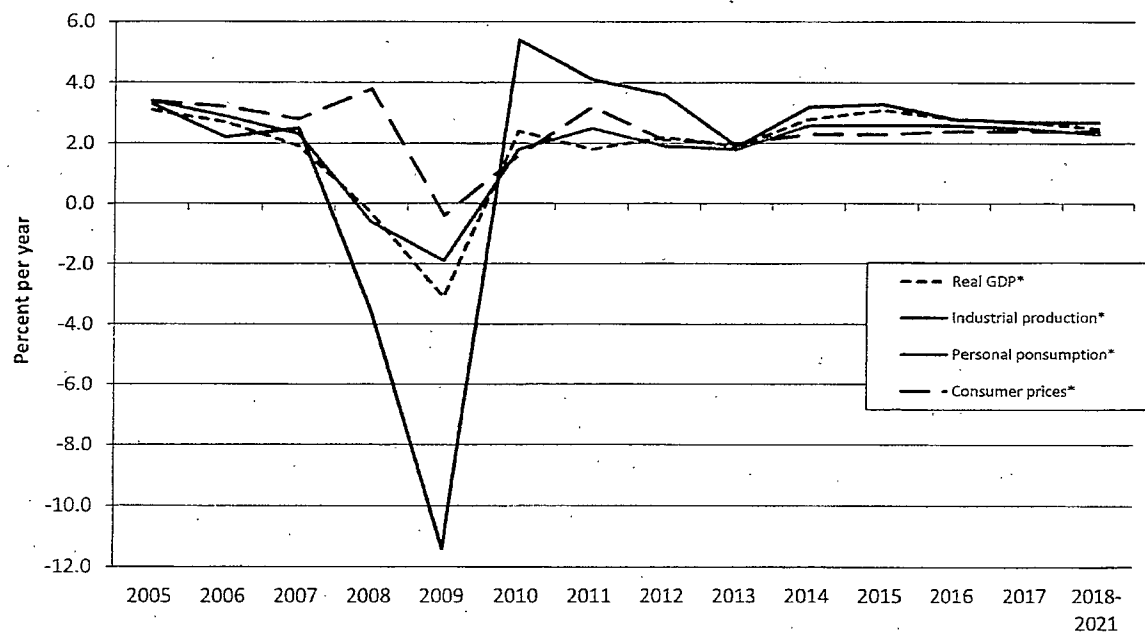
Personal consumption includes spending on services and durable and nondurable goods.

Nonresidential fixed investment is also known as business spending.

Total government spending includes federal, state, and local government spending.

Every month, Consensus Economics surveys a panel of 30 prominent United States economic and financial forecasters for their predictions on a range of variables, including future growth, inflation, current account and budget balances, and interest rates.

EXHIBIT 3: Key Economic Variables



Source of historical data: U.S. Department of Commerce, U.S. Department of Labor, and The Federal Reserve Board.
 Source of forecasts: Consensus Forecasts.

EXHIBIT 4: Economic Indicators Historical Data

MONTHLY DATA												
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Real GDP			2.0			1.3			3.1			-0.1
Personal consumption			2.4			1.5			1.6			2.2
Nonresidential fixed investment			7.5			3.6			-1.8			8.4
Total government spending			-3.0			-0.7			3.9			-6.6
Exports			4.4			5.3			1.9			-5.7
Imports			3.1			2.8			-0.6			-3.2
CPI (one-month % change)	0.2	0.4	0.3	0.0	-0.3	0.0	0.0	0.6	0.6	0.1	-0.3	0.0
Unemployment rate	8.3	8.3	8.2	8.1	8.2	8.2	8.2	8.1	7.8	7.9	7.8	7.8
PMI	54.1	52.4	53.4	54.8	53.5	49.7	49.8	49.6	51.5	51.7	49.5	50.7
NMI	56.8	57.3	56.0	53.5	53.7	52.1	52.6	53.7	55.1	54.2	54.7	56.1
Housing starts (millions)	0.720	0.718	0.706	0.747	0.706	0.754	0.728	0.750	0.843	0.889	0.851	0.954
Building permits (millions)	0.684	0.707	0.769	0.723	0.784	0.760	0.811	0.801	0.890	0.868	0.900	0.903

Notes: Real GDP and subcomponents data only available on a quarterly basis and therefore, are quarterly figures. The numbers in this table are seasonally adjusted at annual rates. PMI is the Institute of Supply Management's Manufacturing Index—any reading above 50.0% suggests growth in the manufacturing economy, whereas a reading below 50.0% indicates contraction. NMI is the Institute of Supply Management's Non-Manufacturing Index, which measures the strength of the services sector—any reading above 50.0% suggests growth, whereas a reading below 50.0% indicates contraction.

QUARTERLY DATA												
	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11
Real GDP	-5.3	-0.3	1.4	4.0	2.3	2.2	2.6	2.4	0.1	2.5	1.3	4.1
Personal consumption	-1.6	-1.8	2.1	0.0	2.5	2.6	2.5	4.1	3.1	1.0	1.7	2.0
Nonresidential fixed investment	-28.9	-17.5	-7.8	-6.4	-2.1	12.3	7.7	-9.2	-1.3	-14.5	19.0	9.5
Total government spending	1.8	9.6	3.7	1.1	-3.1	2.8	-0.3	-4.4	-7.0	-0.8	-2.9	-2.2
Exports	-28.7	0.6	13.8	24.0	5.9	9.6	9.7	10.0	5.7	4.1	6.1	1.4
Imports	-33.9	-15.9	17.2	19.3	10.4	20.2	13.9	0.0	4.3	0.1	4.7	4.9
CPI (3-month % change)	0.5	1.0	0.5	0.7	0.1	-0.1	0.5	0.9	1.3	0.7	0.9	0.1
Unemployment rate	8.5	9.5	9.8	10.0	9.7	9.5	9.6	9.4	8.8	9.2	9.1	8.5
Housing starts (millions)	0.505	0.585	0.585	0.581	0.636	0.536	0.594	0.539	0.600	0.615	0.647	0.697
Building permits (millions)	0.513	0.601	0.609	0.664	0.687	0.587	0.563	0.632	0.590	0.633	0.616	0.701

Notes: Unemployment rate is the rate for the last month of the quarter. Housing starts and building permits are seasonally adjusted annual rates for the last month of the quarter. The numbers in this table are seasonally adjusted at annual rates.

YEARLY DATA											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP	1.8	2.5	3.5	3.1	2.7	1.9	-0.3	-3.1	2.4	1.8	2.2
Personal consumption	2.7	2.8	3.3	3.4	2.9	2.3	-0.6	-1.9	1.8	-2.5	1.9
Nonresidential fixed investment	-7.9	1.4	6.2	6.7	8.0	6.5	-0.8	-18.1	0.7	8.6	7.7
Total government spending	4.7	2.2	1.4	0.3	1.4	1.3	2.6	3.7	0.6	-3.1	-1.7
Exports	-2.0	1.6	9.5	6.7	9.0	9.3	6.1	-9.1	11.1	6.7	3.2
Imports	3.4	4.4	11.1	6.1	6.1	2.4	-2.7	-13.5	12.5	4.8	2.5
Consumer Price Index	1.6	2.3	2.7	3.4	3.2	2.8	3.8	-0.4	1.6	3.2	2.1
Unemployment rate	5.8	6.0	5.6	5.1	4.6	4.6	5.8	9.3	9.6	9.0	8.1
Housing starts (millions)	1.705	1.848	1.956	2.068	1.801	1.355	0.906	0.554	0.587	0.609	0.780
Building permits (millions)	1.748	1.889	2.070	2.155	1.838	1.398	0.905	0.583	0.605	0.624	0.813

Notes: Yearly Consumer Price Index information is the percent change between annual averages. Yearly unemployment is the annual average rate.

Personal consumption includes spending on services and durable and nondurable goods.

Government spending includes federal, state, and local government spending.

Source of data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau, The Federal Reserve Board, and the Institute of Supply Management.

EXHIBIT 5: Consumer Confidence and Consumer Sentiment

	MONTHLY DATA											
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Consumer Sentiment Index*	75.0	75.3	76.2	76.4	79.3	73.2	72.3	74.3	78.3	82.6	82.7	72.9
Consumer Confidence Index**	61.5	71.6	69.5	68.7	64.4	62.7	65.4	61.3	68.4	73.1	71.5	66.7

Source of data: The Conference Board and Thomson Reuters/University of Michigan

Notes:

*The Thomson Reuters/University of Michigan Index of Consumer Sentiment

**The Conference Board Consumer Confidence Index®

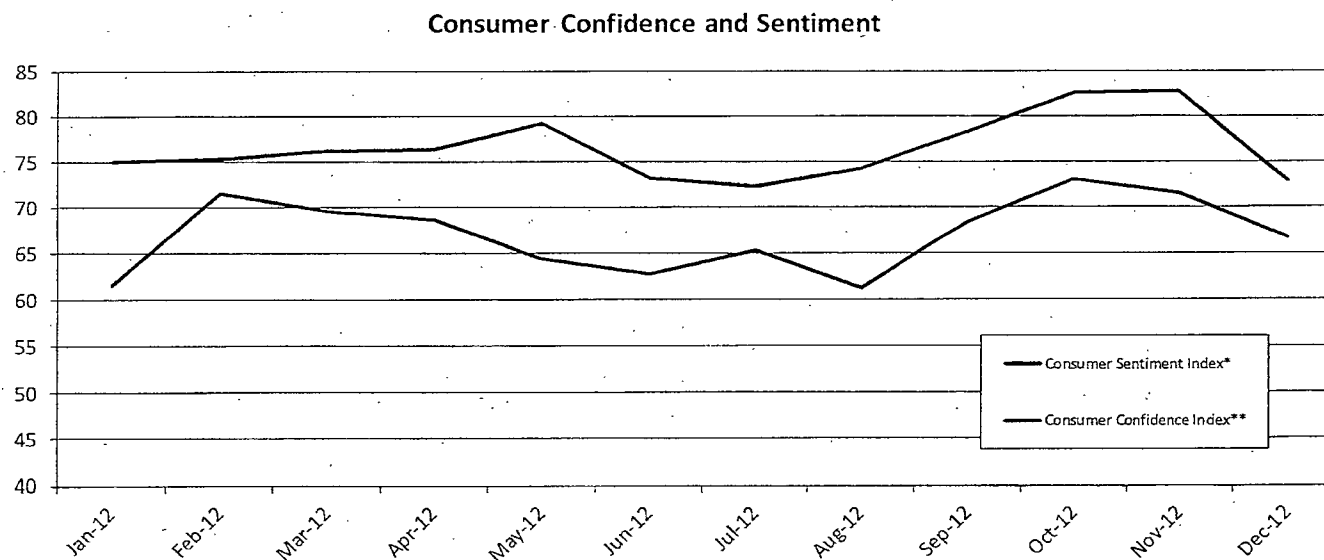


EXHIBIT 6: Stock Market Historical Data

QUARTERLY RETURNS												
(%)	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12
DJIA	-4.1	-10.0	10.4	7.3	6.4	0.8	-12.1	12.0	8.1	-2.5	4.3	-2.5
NASDAQ Composite	5.7	-12.0	12.3	12.0	4.8	-0.3	-12.9	7.9	18.7	-5.1	6.2	-3.1
S&P 500	4.9	-11.9	10.7	10.2	5.4	-0.4	-14.3	11.2	12.0	-3.3	5.8	-1.0
Wilshire 5000**	5.8	-11.4	11.1	11.1	5.5	-0.6	-15.6	11.4	12.2	-3.7	5.5	-0.3
Russell 2000	8.5	-10.2	10.9	15.9	7.6	-1.9	-22.1	15.0	12.1	-3.8	4.9	1.4

YEARLY RETURNS								FORECAST*	
(%)	2005	2007	2008	2009	2010	2011	2012	2013	2014
DJIA	16.3	6.4	-33.8	18.8	11.0	5.5	7.3		
NASDAQ Composite	9.5	9.8	-40.5	43.9	16.9	-1.8	15.9		
S&P 500	11.8	3.5	-38.5	23.5	12.8	0.0	13.4	2.37	6.16
Wilshire 5000**	13.9	3.9	-38.7	23.3	19.2	-1.3	13.7		
Russell 2000	14.7	-2.7	-34.8	25.2	25.3	-5.5	14.6		

MONTHLY DATA												
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
DJIA	12,632.91	12,952.07	13,212.04	13,213.63	12,393.45	12,880.09	13,008.68	13,090.84	13,437.13	13,096.46	13,025.58	13,104.14
NASDAQ Composite	2,813.84	2,966.89	3,091.57	3,046.36	2,827.34	2,935.05	2,939.52	3,066.96	3,116.23	2,977.23	3,010.24	3,019.51
S&P 500	1,312.41	1,355.68	1,408.47	1,397.91	1,310.33	1,362.16	1,379.32	1,406.58	1,440.67	1,412.16	1,416.18	1,426.19
Wilshire 5000**	13,839.11	14,400.52	14,805.55	14,689.84	13,740.38	14,258.42	14,370.33	14,680.91	15,044.22	14,773.09	14,848.06	14,995.11
Russell 2000	792.82	810.94	830.30	816.88	761.82	798.49	786.94	812.09	837.45	818.73	821.92	849.35
VIX***	22.97	21.14	20.84	20.39	25.10	26.66	20.47	18.96	17.98	18.83	19.08	21.79

QUARTERLY DATA												
	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11
DJIA	7,608.92	8,447.00	9,712.28	10,428.05	10,856.63	9,774.02	10,788.05	11,577.51	12,319.73	12,414.34	10,913.38	11,577.51
NASDAQ Composite	1,528.59	1,835.04	2,122.42	2,269.15	2,397.96	2,109.24	2,368.62	2,652.87	2,781.07	2,773.52	2,415.40	2,652.87
S&P 500	797.87	919.32	1,057.08	1,115.10	1,169.43	1,030.71	1,141.20	1,257.64	1,325.83	1,320.64	1,131.42	1,257.64
Wilshire 5000**	8,113.10	9,424.90	10,911.70	11,548.64	12,222.30	10,823.31	12,020.91	13,360.12	14,101.30	14,023.08	13,842.12	13,189.94
Russell 2000	422.75	508.28	604.28	625.39	678.64	609.49	676.14	783.65	843.55	827.43	644.16	783.65
VIX***	56.65	32.68	29.15	23.69	19.26	36.57	23.89	21.36	29.40	22.73	48.00	30.59

	YEARLY DATA								FORECAST*	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
DJIA	10,717.50	12,463.15	13,264.82	8,776.39	10,428.05	11,577.51	12,217.56	13,104.14		
NASDAQ Composite	2,205.32	2,415.29	2,652.28	1,577.03	2,269.15	2,652.87	2,605.15	3,019.51		
S&P 500	1,248.29	1,418.30	1,468.36	903.25	1,115.10	1,257.64	1,257.60	1,426.19	1,460.00	1,550.00
Wilshire 5000**	12,517.70	14,257.50	14,819.60	9,087.20	11,207.34	13,360.12	13,189.94	14,995.11		
Russell 2000	673.22	787.66	766.03	499.45	625.39	783.65	740.92	849.35		
VIX***	17.74	23.81	31.09	80.86	56.65	45.79	48.00			

Source of data: Yahoo! Finance
Index Tickers: *DJIA, *DJIC, *GSPC, *W5000, *RUT, *VIX

Notes:

Quotes are closing prices on the last day of trade for the month

*Source: The Livingston Survey, Dec. 12, 2012

**Prior to November 2009 the Wilshire 5000 was managed by the Dow Jones company and went by the name "Dow Jones Wilshire 5000" and carried the symbol "DJWC"

***VIX values reported are the highest value of the respective time period. VIX is a popular volatility measure; higher values correspond to greater volatility.

EXHIBIT 7: Bond Market Historical Data

	PERIODIC DATA								
	Oct-12			Nov-12			Dec-12		
(%)	BM	MM	EM	BM	MM	EM	BM	MM	EM
30-day Treasury bill ¹	0.05	0.10	0.09	0.06	0.13	0.11	0.13	0.01	0.02
5-year Treasury note ¹	0.62	0.67	0.72	0.73	0.62	0.61	0.63	0.70	0.72
10-year Treasury bond ¹	1.64	1.70	1.72	1.75	1.58	1.62	1.63	1.72	1.78
20-year Treasury bond ¹	2.41	2.45	2.46	2.50	2.30	2.37	2.37	2.46	2.54
Prime lending rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Federal funds rate	0.15	0.16	0.18	0.17	0.16	0.16	0.16	0.17	0.09
Discount window primary credit rate	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Corporate Bonds Moody's Seasoned Aaa ⁴	3.41	3.48	3.40	3.45	3.49	3.58	3.59	3.66	3.67
Corporate Bonds Moody's Seasoned Baa ⁴	4.70	4.53	4.45	4.50	4.48	4.57	4.58	4.62	4.63

Notes:

BM=beginning of month, MM = mid-month, EM = end of month

	MONTHLY DATA											
	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
(%)												
30-day Treasury bill ¹	0.01	0.01	0.00	0.02	0.06	0.06	0.07	0.07	0.05	0.07	0.09	0.08
5-year Treasury note ¹	1.06	0.91	0.89	0.84	0.83	1.02	0.89	0.76	0.71	0.62	0.71	0.67
10-year Treasury bond ¹	2.15	2.01	1.98	1.97	1.97	2.17	2.05	1.8	1.62	1.53	1.68	1.72
20-year Treasury bond ¹	2.87	2.72	2.67	2.7	2.75	2.94	2.82	2.53	2.31	2.22	2.40	2.49
Prime lending rate ²	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Federal funds rate ²	0.70	0.08	0.07	0.08	0.1	0.13	0.14	0.16	0.16	0.16	0.13	0.14
Discount window primary credit rate ²	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Corporate Bonds Moody's Seasoned Aaa ⁴	3.98	3.87	3.93	3.85	3.85	3.99	3.96	3.8	3.64	3.4	3.48	3.49
Corporate Bonds Moody's Seasoned Baa ⁴	5.37	5.14	5.25	5.23	5.14	5.23	5.19	5.07	5.02	4.87	4.91	4.84

	YEARLY DATA								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
(%)									
30-day Treasury bill ¹	1.27	3.00	4.75	4.41	1.29	0.10	0.11	0.04	0.07
5-year Treasury note ¹	3.43	4.05	4.75	4.43	2.80	2.20	1.93	1.52	0.76
10-year Treasury bond ¹	4.27	4.29	4.80	4.63	3.66	3.26	3.22	2.78	1.80
20-year Treasury bond ¹	5.04	4.64	5.00	4.91	4.36	4.11	4.03	3.52	2.54
Prime lending rate ³	4.34	6.19	7.96	8.05	5.09	3.25	3.25	3.25	3.25
Federal funds rate ³	1.35	3.22	4.97	5.02	1.92	0.16	0.18	0.10	0.14
Discount window primary credit rate ³	2.34	4.19	5.96	5.86	2.39	0.50	0.72	0.75	0.75
Corporate Bonds Moody's Seasoned Aaa ⁴	5.63	5.23	5.59	5.56	5.63	5.31	4.94	4.64	3.67
Corporate Bonds Moody's Seasoned Baa ⁴	6.39	6.06	6.48	6.48	7.44	7.29	6.04	5.66	4.94

Source of data: The Federal Reserve Board.

Notes:

(1) Yields on actively traded non-inflation-indexed issues adjusted to constant maturities

(2) Monthly figures are averages of each calendar day in the month

(3) Annualized figures use a 360-day year or bank interest

(4) Average yield to maturity on selected long-term bonds

EXHIBIT 8: Government Bond Yield Historical Yearly Data

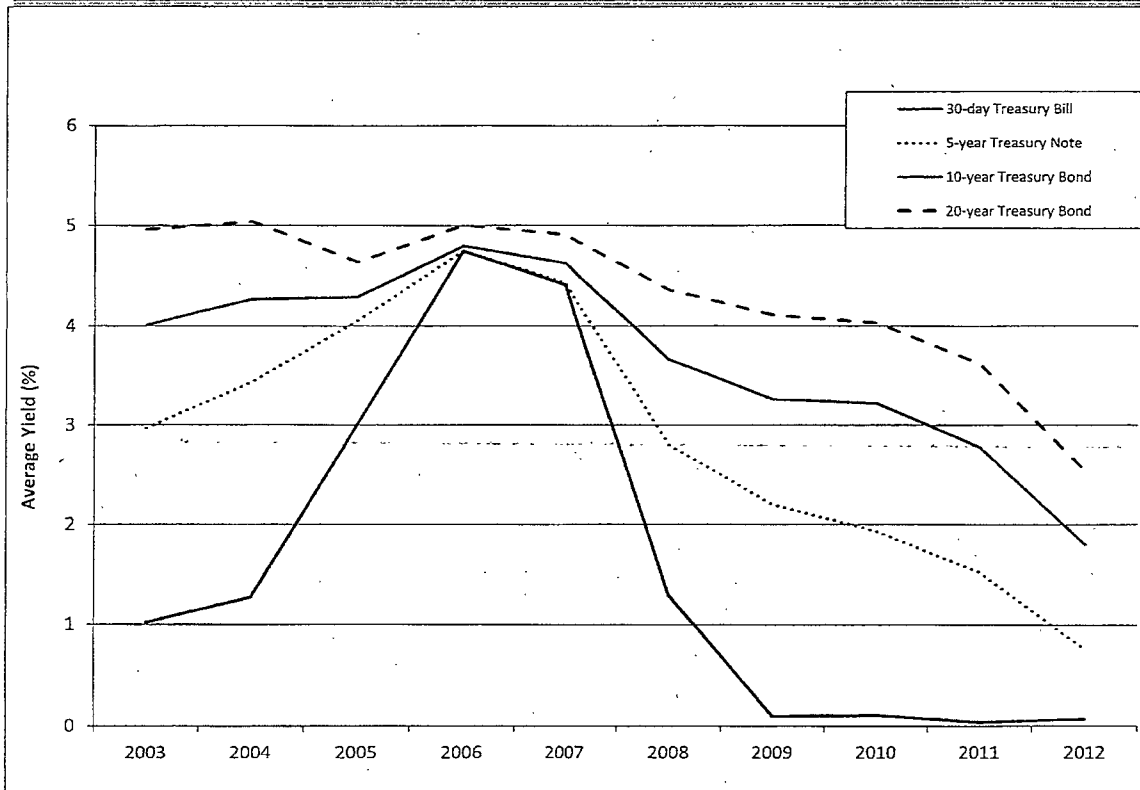


EXHIBIT 9: Interest Rate Historical Yearly Data

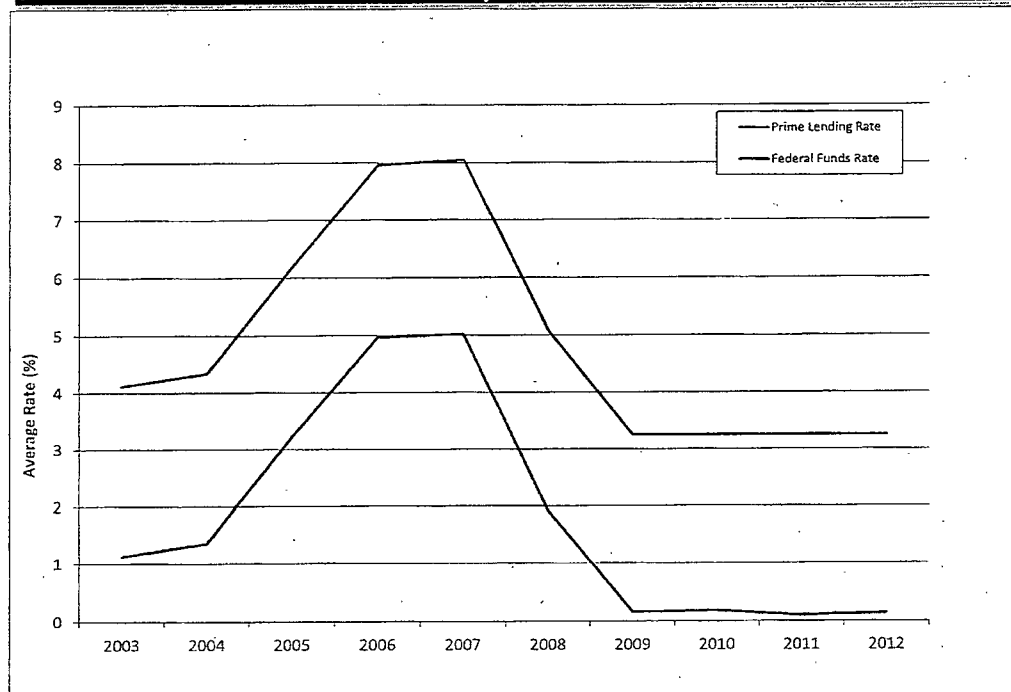


EXHIBIT 10: National Association of Realtors Market Forecast

National Association of Realtors® Forecast				
	Q1 2013	Q2 2013	2013	2014
Housing measures (thousands)				
Housing starts	951	1,066	1,105	1,361
Single-family	633	735	771	997
Multifamily	318	331	334	364
Home sales				
Total existing homes	4,910	4,986	5,084	5,396
New homes	418	496	533	736
Home prices				
Existing homes (median)	\$170.5	\$189.9	\$185.8	\$193.6
New homes (median)	\$248.3	\$252.4	\$254.0	\$265.4
Rates				
30-year fixed rate mortgage	3.6%	3.8%	3.9%	4.7%
10-year Treasury yield	1.9%	2.0%	2.2%	2.7%

Source of data: National Association of Realtors®.

Notes:

Figures are in thousands, except for rates.

Quarterly housing starts and home sales are seasonally adjusted at annual rate.

Total existing home sales include single-family homes, condos, and co-ops.

EXHIBIT 11: Mortgage Bankers Association® Market Forecast

Mortgage Bankers Association® Forecast				
	Q1 2013	Q2 2013	2013	2014
Housing measures (thousands)				
Housing starts	875	890	909	1,030
Single-family	595	600	610	681
Multifamily	280	290	299	349
Home sales				
Total existing homes	4,778	4,798	4,804	5,008
New homes	398	403	407	459
Home prices				
Existing homes (median)	\$186.0	\$191.0	\$186.9	\$193.6
New homes (median)	\$243.1	\$253.6	\$249.2	\$262.9
Rates				
30-year fixed rate mortgage	3.9%	4.0%	4.1%	4.5%
10-year Treasury yield	1.9%	2.0%	2.1%	2.5%

Source of data: Mortgage Brokers Association®.

Notes:

Figures are in thousands, except for rates.

Quarterly housing starts and home sales are seasonally adjusted at annual rate.

Total existing home sales include single-family homes, condos, and co-ops.

EXHIBIT 12: REIT Returns Historical Data

MONTHLY DATA												
(%)	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
All equity REITs*	6.36	-0.91	4.84	2.67	-4.41	5.97	2.17	0.12	-1.23	-0.25	-0.27	3.65
Office**	7.86	-0.70	3.34	2.87	-6.21	6.51	0.05	0.38	-0.12	-2.20	-0.96	3.31
Industrial**	10.39	4.68	6.97	-0.30	-8.64	5.68	-2.04	4.54	2.98	-1.43	-0.89	7.10
Retail**	7.03	1.10	5.87	4.32	-4.60	6.27	2.00	2.52	-2.68	0.23	0.02	2.53
Residential**	4.04	-3.77	8.36	1.27	-2.57	2.29	3.56	-3.48	-3.66	0.41	-3.02	4.16
Commercial financing**	9.93	0.84	4.23	2.07	-5.91	6.42	5.00	4.68	4.10	3.13	-0.10	2.71
Home financing**	6.93	1.24	-0.09	3.71	1.58	3.90	3.92	0.95	2.32	-2.65	-3.93	-2.08

YEARLY DATA										
(%)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
All equity REITs*	37.13	31.58	12.16	35.06	-15.69	-37.73	27.99	27.95	8.28	19.70
Office**	34.01	23.28	13.11	45.22	-18.96	-41.07	35.55	18.41	-0.76	14.15
Industrial**	33.14	34.09	15.42	28.92	0.38	-67.47	12.17	18.89	-5.16	31.28
Retail**	46.77	40.23	11.80	29.01	-15.77	-48.36	27.17	33.41	12.20	26.74
Residential**	25.90	32.72	13.67	38.93	-25.21	-24.89	30.82	46.01	15.37	6.94
Commercial financing**	84.67	7.45	-16.06	30.31	-48.79	-74.84	-40.99	41.99	-11.34	42.98
Home financing**	42.73	24.91	-25.95	14.75	-38.23	-20.02	28.19	21.02	-0.87	16.38

Source of data: National Association of Real Estate Investment Trusts® (NAREIT).

Notes:

* FTSE NAREIT Composite REIT Index.

** Data derived from the constituents of the FTSE NAREIT Composite REIT Index.

EXHIBIT 13: Property Index Returns Historical Data

	QUARTERLY DATA											
(%)	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12
National*	0.76	3.31	3.86	4.62	3.36	3.94	3.30	2.96	2.59	2.68	2.34	2.54
East region*	0.51	4.43	4.17	5.30	3.61	3.91	2.98	2.93	2.06	2.41	2.06	2.20
West region*	1.05	3.02	3.84	4.42	3.57	4.83	3.77	2.92	3.05	3.10	2.65	2.67
South region*	0.81	2.77	3.59	4.42	2.98	2.99	3.20	3.13	2.72	2.65	2.31	2.96
Midwest region*	0.52	1.81	3.50	3.56	2.68	3.19	2.96	2.88	2.52	2.30	2.27	2.31
Hotel*	-0.42	2.70	3.09	3.35	3.68	3.52	2.03	2.08	1.50	2.13	2.14	2.24
Apartment*	0.42	4.44	6.04	6.29	3.34	4.21	3.60	3.48	2.79	2.77	2.43	2.81
Retail*	1.13	2.81	3.39	4.77	3.63	2.53	3.58	3.37	2.81	3.04	2.31	2.97
Industrial*	0.64	2.22	2.80	3.42	3.28	4.49	3.39	2.69	2.70	2.92	2.32	2.37
Office*	0.86	3.37	3.12	3.93	3.19	4.45	2.96	2.51	2.34	2.34	2.32	2.17

Source of data: National Council of Real Estate Investment Fiduciaries (NCREIF).

Notes:

* NCREIF Property Index.

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors—the great majority being pension funds. As such, all properties are held in a fiduciary environment.

NATIONAL ECONOMIC CONDITIONS AND OUTLOOK DATA SOURCES

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THE SOUTH CAROLINA ECONOMIC CONDITIONS AND OUTLOOK⁴⁵

While still above the 100 mark for 2012, indicating moderate economic growth over the next three to six months, the South Carolina Leading Index ("SCLI") gave up 0.18 points in December; ending the year at 100.36. The housing and labor markets dragged the SCLI lower last month. The weekly average number of initial claimants for Unemployment Insurance jumped 30.3 percent while the number of residential building permits issued in South Carolina declined 10.5 percent last month. The value associated with those housing permits also decreased 13.5 percent. Positive economic indicators in December included a 0.5 percent increase in the average manufacturing work week and positive movement in the stock market. The Conference Board's national leading economic index posted an increase of 0.5 percent in December.

Compared to a year ago, the South Carolina housing market has shown significant improvement. The median single-family home price has gained 5.3 percent compared to December 2011, now at a 12 month high of \$158,000. Likewise, the number of residential

real estate closings was up 10.5 percent compared to a year ago. Although closings dipped some during the holiday season, slowing foreclosure activity (down 33.4 percent last month) will help keep housing supply tighter and allow positive movement in housing prices in 2013. During 2012, employment in the construction industry remained essentially unchanged at 75,600.

Total non-seasonally adjusted, nonfarm employment declined 5,800 jobs, or 0.31 percent, in December. Over the year, the Goods Producing sectors gained 4,700 jobs while the Service Providing sectors, including Government, added 26,800. During 2012, the Manufacturing sector gained 2.22 percent or 4,900 positions. Construction employment remained flat at 75,600 in 2012. The largest job gains in 2012 were seen in the Educational and Health Services sector (+9,500 jobs), Government (+7,400 jobs), and Leisure and Hospitality (+5,200 jobs).

After the usual seasonal spike of Unemployment Insurance ("UI") claimant activity during the first week of December, the weekly average number of initial claimants for UI returned to more typical levels of about 6,000 in South Carolina. The weekly average number of initial UI claimants for December 2012 (5,998) was 14 percent below UI claimant numbers in December 2011. Last month, Myrtle Beach saw the largest increase in initial claimant activity (up 43 percent), followed by Columbia (13.9 percent). Charleston saw a decline in initial UI claims (down 11 percent), as did Spartanburg (down 4.8 percent).

⁴⁵ "South Carolina Economic Outlook." Volume 6, Issue 1, January, 2013. *South Carolina Department of Commerce Division of Research*.

Except for the seasonal decline in building permits issued for new residential construction, December saw mostly positive indicators in the real estate market. Permits declined 10.5 percent last month; however, the year-to-date total of residential building permits is up 22.5 percent compared to a year ago. Meanwhile, the number of real estate closings increased 10.5 percent compared to one year ago, up 12.5 percent comparing year-to-date totals. Foreclosure activity declined 33.4 percent last month, compared to November, and is down 9.9 percent year-over-year. Despite the declining trend, total foreclosure activity for 2012 was 15.7 percent higher than 2011.

Outlook⁴⁶

South Carolina nearly doubled job growth over 2011, and a group of economists Wednesday said stable growth should continue in 2013 if lawmakers can avoid the fiscal cliff.

If Congress fails to solve the impending round of government spending cuts and higher taxes, another recession threatens to sucker punch the economic recovery percolating in the Palmetto State and across the country.

If the cliff is averted, South Carolinians can expect more jobs and higher incomes in 2013 in South Carolina, three noted economists

told more than 200 business and government leaders gathered at the University of South Carolina for an annual economic outlook conference Wednesday.

A more diversified industrial base, a strengthening housing market and South Carolina's position as a top destination for business activity in the Southeast helped form the basis for the economists' predictions, they said.

"We look the best of all states going into 2013," for both domestic and foreign sources of business investment, said Doug Woodward, USC Moore School of Business research director.

Employment is predicted to grow at 1.2 percent in 2013, the panel forecasts. Last year, they projected 2 percent job growth and the rate came in at 1.8 percent. "There is a (large) amount of good news" to report, Woodward said. "Everything is on track for a robust expansion of the economy next year."

Congress' final resolution of the fiscal cliff – currently being negotiated with President Barack Obama – could more than halve that projected job growth, the most important measure of economic progress in the state, the economists said.

But a whole host of economic perils face taxpayers next year from the negotiations, including the loss of the Social Security holiday, a 2 percent increase out of individual paychecks for a \$95 billion increase to U.S. taxpayers, Connaughton said. The end of the Bush tax cuts will add \$75 billion in new taxes to be paid, while spending cuts could contract coffers by \$100 billion, for a \$270 billion total

⁴⁶ Roddie Burris. "USC economists Predict Stable Growth in 2013 if Fiscal Cliff is Avoided." *The State*, December 13, 2012.

direct impact to the economy, roughly equaling 1.7 percent of U.S. gross domestic product.

That could mean moderate economic growth for 2013 in the range of 1 percent or less, Connaughton said.

Unemployment benefits for the chronically unemployed could be lost, health care costs could rise 3.8 percent under the Affordable Care Act, and the alternative minimum tax could hit millions more Americans under the fiscal cliff. Meanwhile, consumer spending, business investment, net government spending and exports would all decrease, he said.

Robust national economic growth should normally range between 3.5 percent to 5 percent growth annually, Connaughton said. "There is no good economic outcome to these talks, Connaughton said. "We've been borrowing and spending our way to prosperity for some time, let's face it: We've got to pay the piper."

Positively, Connaughton said he sets the likelihood of the government solving the fiscal cliff problem before Jan. 1 at about 75 percent to 80 percent probability.

Because the economy is partly built on confidence, Connaughton said it will be key that the fiscal cliff does not hurt consumer confidence, raise consumer debt, contribute to excess federal reserves, harm monthly job growth and force gasoline prices up.

Europe is another risk for the S.C. economy regarding the fiscal cliff, the economists said. South Carolina's increasing industrial base, which includes good manufacturing numbers reflected in Boeing, BMW, and numerous tire plants in the state is tied to exports to Europe.

"Though manufacturing has largely been responsible for South Carolina's economic recovery, we've started to see other industries expand this year, and we expect more diverse growth in 2013," said Joey Von Nessen, research associate at the Moore School.

That should mean the state's 8.6 percent unemployment rate should continue to fall in 2013, Von Nessen said, as industries such as transportation and construction pick up.

The economists said most major regions of the state saw increases in residential building permits in 2012, accompanied by three consecutive quarters of home price increases, driven predominantly by gains in Charleston.

"Residential construction turned a corner in 2012," Von Nessen said. "Sales activity is up and house prices are rising again, which suggests a better year for housing ahead."

Charleston also has led the state in per capita income increases this year, keeping pace with the national average, while counties such as Lexington and Greenville have lagged behind in those statistics, the economists said.

APPENDIX F – HISTORICAL FINANCIAL STATEMENTS AND RATIO ANALYSIS

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Messrs. Wallace K. Lightsey and Joshua Howard
Warpath Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

Warpath Development, Inc. Historical Balance Sheets ^{1,2} As of December 31, except where noted						
	2007	2008	2009	2010	2011	2012
ASSETS						
Current Assets:						
Cash & Equivalents	\$ 11,863	\$ 12,124	\$ 1,413	\$ 399	\$ 107	\$ 124
Total Current Assets	11,863	12,124	1,413	399	107	124
Fixed Assets:						
Buildings & Other Depreciable Assets	87,325	388,398	516,587	539,022	554,457	556,867
Land	5,000	397,786	397,786	397,786	397,786	397,786
Less: Accumulated Depreciation						
Total Net Fixed Assets	92,325	786,184	914,373	936,808	952,253	954,653
Total Assets	\$ 104,188	\$ 798,308	\$ 915,786	\$ 937,207	\$ 952,360	\$ 954,777
LIABILITIES & OWNERS' EQUITY						
Current Liabilities:						
Accounts Payable	\$ 4,000	\$ 38,159	\$ 125,332	\$ 136,604	\$ 136,780	\$ 268,441
Other Current Liabilities	3,365	42	-	-	-	-
Total Current Liabilities	7,365	38,201	125,332	136,604	136,780	268,441
Long Term Debt:						
Note Payable	-	327,308	327,308	327,308	327,308	327,308
Total Long Term Debt	-	327,308	327,308	327,308	327,308	327,308
Total Liabilities	7,365	365,509	452,640	463,912	464,088	595,749
Owners' Equity:						
Common Stock						
Additional Paid-in-Capital	101,000	447,177	535,177	572,156	591,256	607,315
Retained Earnings	(4,177)	(14,378)	(72,031)	(98,861)	(102,984)	(248,287)
Owners' Equity	96,823	432,799	463,146	473,295	488,272	359,028
Total Liabilities & Owners' Equity	\$ 104,188	\$ 798,308	\$ 915,786	\$ 937,207	\$ 952,360	\$ 954,777

1. Summary of information contained in the income tax returns prepared by Johnstone, Graydon & Thompson, CPA's, PA.

2. Numbers may appear incorrect due to rounding.

Warpath Development, Inc. Historical Common Size Balance Sheets ^{1,2} As of December 31, except where noted						
	2007	2008	2009	2010	2011	2012
ASSETS						
Current Assets:						
Cash & Equivalents	11.4%	1.5%	0.2%	0.0%	0.0%	0.0%
Total Current Assets	11.4%	1.5%	0.2%	0.0%	0.0%	0.0%
Fixed Assets:						
Buildings & Other Depreciable Assets	83.8%	48.7%	56.4%	57.5%	58.2%	58.3%
Land	4.8%	49.8%	43.4%	42.4%	41.8%	41.7%
Less: Accumulated Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Net Fixed Assets	88.6%	98.5%	99.8%	100.0%	100.0%	100.0%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES & OWNERS' EQUITY						
Current Liabilities:						
Accounts Payable	3.8%	4.8%	13.7%	14.6%	14.4%	28.1%
Other Current Liabilities	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Current Liabilities	7.1%	4.8%	13.7%	14.6%	14.4%	28.1%
Long Term Debt:						
Note Payable	0.0%	41.0%	35.7%	34.9%	34.4%	34.3%
Total Long Term Debt	0.0%	41.0%	35.7%	34.9%	34.4%	34.3%
Total Liabilities	7.1%	45.8%	49.4%	49.5%	48.7%	62.4%
Owners' Equity:						
Common Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Additional Paid-in-Capital	96.9%	56.0%	58.4%	61.0%	62.1%	63.6%
Retained Earnings	-4.0%	-1.8%	-7.9%	-10.5%	-10.8%	-26.0%
Total Owners' Equity	92.9%	54.2%	50.6%	50.5%	51.3%	37.6%
Total Liabilities & Owners' Equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1. Summary of information contained in the income tax returns prepared by Johnstone, Graydon & Thompson, CPA's, PA.

2. Numbers may appear incorrect due to rounding.

Messrs. Wallace K. Lightsey and Joshua Howard
Warpeth Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

Warpeth Development, Inc. Historical Income Statements ^{1,2} Years Ended December 31, except where noted						
	2007	2008	2009	2010	2011	2012
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	4,177	9,981	57,653	26,830	4,123	145,303
EBITDA	(4,177)	(9,981)	(57,653)	(26,830)	(4,123)	(145,303)
Depreciation and Amortization	-	-	-	-	-	-
Operating Income (Loss)	(4,177)	(9,981)	(57,653)	(26,830)	(4,123)	(145,303)
Income Tax Expense	-	-	-	-	-	-
Net Income (Loss)	\$ (4,177)	\$ (9,981)	\$ (57,653)	\$ (26,830)	\$ (4,123)	\$ (145,303)

1. Summary of information contained in the income tax returns prepared by Johnstone, Graydon & Thompson, CPA's, PA.
2. Numbers may appear incorrect due to rounding.

Warpeth Development, Inc. Historical Operating Expenses ^{1,2} Years Ended December 31, except where noted						
	2007	2008	2009	2010	2011	2012
Operating Expenses:						
Other Taxes	\$ -	\$ 24	\$ 462	\$ 583	\$ 620	\$ 606
Advertising	-	5,131	175	-	-	-
Bank Charges	-	-	10	91	60	157
Dues & Subscriptions	2,141	694	300	-	-	-
Insurance	1,287	-	-	-	-	-
Office Supplies	336	92	-	-	-	-
Postage & Delivery	18	147	25	-	-	-
Travel	395	1,049	-	15	-	-
Moving Expenses	-	1,720	-	-	-	-
Professional Services	-	603	55,783	25,551	2,929	143,832
Telephone	-	521	530	590	502	708
Miscellaneous	-	-	368	-	12	-
Total Cash Operating Expenses	4,177	9,981	57,653	26,830	4,123	145,303
Depreciation	-	-	-	-	-	-
Total Operating Expenses	\$ 4,177	\$ 9,981	\$ 57,653	\$ 26,830	\$ 4,123	\$ 145,303

1. Summary of information contained in the income tax returns prepared by Johnstone, Graydon & Thompson, CPA's, PA.
2. Numbers may appear incorrect due to rounding.

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APPENDIX G – INDUSTRY CONDITIONS AND OUTLOOK

MARINAS IN THE U.S.⁴⁷

Marinas provide docking and storage for pleasure craft owners. Marinas may also sell fuel and marine supplies and provide services such as repairing or renting boats. Many marina operators offer sailing instruction in addition to recreational boat rental.

The Marinas industry was unable to escape economic turmoil in recent years. The industry has been affected by lower boat sales, as consumer discretionary spending fell sharply during the recession. This factor has flattened demand for slip rental, launching fees and storage, which together generate about 40.0% of industry revenue. Sales have also been hampered by reduced maintenance revenue, merchandise sales and food and beverage income since fewer people have gone boating. Over the five years to 2012, revenue in the Marinas industry is expected to decline at an average annual rate of 1.7% to \$3.9 billion, including a sharp dip of 5.0% in 2009. From 2011 to 2012, IBISWorld estimates that revenue will remain fairly stagnant, dropping just 0.8%, as demand for such luxuries has not yet recovered. However, profit margins have improved and make up about 12.1% of industry revenue in 2012. Poor performance during the recession caused industry

operators to cut down on costs, but this lean approach has led to higher profit in more recent years as expenses have stayed low.

Over the next five years, firms will seek to increase revenue by adding to their core services of slip rental. A number of marina operators will look to expand revenue by offering sales of food and beverages through full-service restaurants, while others will focus on growing equipment rental offerings and merchandise sales, which have dwindled in recent years. Boat repair and maintenance will continue to lift sales, becoming an increasingly large service segment, with associated profit margins among the best of the industry's segments. This segment makes up about 15.0% of revenue, providing the industry with an opportunity for growth. Over the five years to 2017, IBISWorld forecasts revenue to grow at an average annual rate of 1.3% to reach \$4.2 billion, including growth of 0.8% in 2013. Along with revenue, the number of workers is estimated to increase at an annualized rate of 0.7% to 29,661 workers during this same period. The growth rate will remain low as operators face the challenge of retaining employees due to the industry's potentially dangerous and grueling work.

Demand Determinants

The demand for marina facilities is based on several factors. Firstly, weather conditions tend to greatly affect demand. The number of visitors generally increases during the summer months, while severe storms reduce demand. Marina owners also cater to annual slip holders and transients, and although transients may be more profitable, their use of marinas is strongly affected by weather and

⁴⁷ Setar, Lauren. "Marinas in the U.S." *IBISWorld*, September 2012. The editors and IBISWorld, while considering the contents to be accurate as of the date of publication of the Report, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this valuation report.

the overall economy. Secondly, the types of boating and other facilities offered tend to affect demand. Many operators in this industry attempt to increase revenue by offering a full range of services including retail, restaurants, cafes and bars, fuel stations, boating and sailing tuition, vessel rentals, and full boat repair and maintenance services performed by qualified technicians.

The level of boat ownership determines demand for the Marinas industry. Sales and ownership of powerboats and sailboats create demand for marina services. Economic factors also influence demand for marina services. Since boating is a discretionary recreational activity, it is vulnerable to shifts in regional and national economic conditions. Boat sales have historically been closely tied to consumer sentiment. Likewise, during times of low economic growth, the industry will typically face lower demand for marina services.

Nonetheless, demand for marina services will remain as long as people own boats and need to store them. Boats need to be stored or docked when not in use and marinas provide boat owners with storage options. The size of the boat and the cost to store or dock the boat are factors a boat owner must consider. Marinas offer both slip rental and dry storage for boats, with dry boat storage as the cheaper option of the two. For trailer-able boats, owners have the option of storing them at their own property.

Finally, leisure time availability affects demand since a greater amount of leisure time will generally lead to a greater demand for

industry services. Boating usually requires traveling some distance to water, which increases the time involved for the activity.

Competition

The Marinas industry has a very low level of concentration. IBISWorld estimates that the four largest firms operating in this industry account for less than 5.0% of industry revenue in 2012. There are a significant number of small players in this industry, adding to the industry's fragmented nature. About 91.6% of establishments in the Marinas industry employ less than 20 people. The low level of concentration within the industry is not expected to change significantly over the next five years. Due to the small size of most firms and the limited resources generally available to them, IBISWorld expects few significant mergers and consolidations in the future.

In general, total sales and ownership of powerboats and sailboats create demand for marina services. However, the cost structure among firms in the Marinas industry depends on the marina's location and marketing strategies. For example, small marinas compete by offering customized services or by operating in a convenient location, while large and multi-location marinas have the resources to advertise and negotiate better prices.

Marinas face competition both from within the industry, and from external factors. Internal competition relates to the level of competition between industry participants, while external competition is the level of competition between this industry and

other industries. Most of the competitive aspects relate to internal competition, specifically based on the range of services offered, price, promotion, geographic positioning and staff.

Companies that offer a full range of maintenance and repair services to meet various customer needs will attract more customers than a firm offering fewer services. Additionally, competition is also based on storage costs, which can vary based on the location of the marina, the type of available boat storage and the types of services offered at the marina, among other factors. Larger companies in the industry that are able to provide the resources to market the unique characteristics of the marina can increase patronage.

Industry operators also compete on staff and quality. Workers that offer quality customer service are essential in creating and maintaining a customer's perception of product quality. Finally, the location of a marina can attract visitors by being close to other popular activities. For example, Dinner Key Marina is a very short distance away from the internationally renowned CocoWalk, Coconut Grove's retail and entertainment district in Florida. Also, boat owners generally prefer to store or dock their boat in a marina that is geographically close to where they live. This is a natural competitive advantage for firms in particular regions.

With regard to external competition, marinas compete with resorts, hotels, amusement parks and various other alternative leisure and recreational activities. Marinas also compete against

companies that offer boats for hire. These services reduce boat ownership numbers and can reduce demand for marina activity.

Barriers to Entry

The Marinas industry has a high level of barriers to entry. Firstly, marina development requires a high initial capital investment, which can deter potential marina operators from entering the industry. Marina developers must also be able to acquire a suitable location. There are a limited number of locations available, which can make this difficult.

Secondly, regulations can also deter potential entrants. The US Army Corps of Engineers can issue permits for marina development in certain areas. The Corps can also call for public comment where protests against the development can be lodged. Various City Planning Commissions can change the zone of any new redevelopment plans of existing marinas, which makes it tricky and time consuming to develop a new marina.

Finally, other costs may prove prohibitive for new entrants. For example, holding an extensive range of boats for rental can lead to high inventory costs. Rising insurance premiums are another issue for the industry. Hurricanes in the gulf region have caused insurance costs to rise substantially in these areas. The prospect of wilder weather patterns in future years has driven up the cost of insurance for marinas.

Current Performance

The Marinas industry is predominantly influenced by participation in and expenditure on boating activities. In turn, these factors are affected by consumer sentiment, disposable income growth and the amount of leisure time devoted to outdoor activities, particularly boating and fishing. The services provided by this industry are generally considered luxuries; as such, marinas were hit hard by the recession, when consumers made fewer expensive discretionary purchases like boats. According to the latest available data from the National Marine Manufacturers Association, the number of recreational boats in use across the United States has declined over the past five years, with numbers contracting between 2007 and 2011. During this time, boat sales have fallen from 841,820 units to 527,005. As a result, demand for marina services has weakened, causing revenue to decline in four of the past five years. IBISWorld estimates that the Marinas industry's revenue will decline an average of 1.7% per year over the five years to 2012, to total \$3.9 billion.

In addition to the decline in the number of boat sales, the total value of boat sales has also fallen from 2007 to 2011 (according to latest available data). During these years, boat sale value has fallen from about \$11.7 billion to \$6.1 billion. Specifically, in 2009, sales took a steep dive of 25.4% in light of record-low consumer sentiment as unemployment climbed above 10.0%. Over the past few years, the recession has caused consumers to cut back on nonessential purchases, leaving marinas high and dry. Following this trend, industry revenue is expected to decline 0.8% in 2012.

Hurricane Katrina had a severe effect on the industry in the Gulf Coast region in 2005; it took several years for the industry to recover in these states. The hurricane destroyed more than two-thirds of the marinas in Mississippi, Louisiana and Alabama. Prior to the hurricane, industry revenue experienced solid growth, in line with a healthy economy and high consumer sentiment.

Over the five years to 2012, profitability has been moderately volatile. Profit margins fluctuate on a yearly basis; however, profitability generally ranges from 10.0% to 13.5% of industry revenue. During times of strengthened demand, marinas are able to charge higher prices for slip rentals, which increases profit. However, as the economy began to falter in late 2007, profit margins dropped. By 2008, profit had fallen to about 11.5% of revenue as marinas faced reduced demand and were forced to lower prices to fill slips. Disposable income growth slowed in 2008, which was accompanied by lower boat sales and therefore fewer registered boats on the water. This factor reduced revenue from slip rentals, especially from larger boats. High fuel prices also reduced participation in boating in 2008 and affected the profitability of the marinas that both sell fuel and use fuel to operate machinery. Furthermore, a number of marinas were not able to expand their business as planned, forcing them to cancel or curtail plans to expand product lines beyond their core focus of berthing. However, in 2012, IBISWorld projects a profit margin of 12.1% for the industry.

Unlike profit, revenue has not fluctuated much over the past five years. Due to a long-term trend of growth in disposable income,

revenue volatility has decreased. Additionally, stable American spending over the long term has reduced volatility. Consumers attempt to maintain their lifestyles in the short term through savings accounts and alternative income streams like unemployment payments. However, some volatility has been introduced to the industry through variable weather conditions and a drop in consumer sentiment.

The number of enterprises operating in the industry has fluctuated during the five years to 2012, growing at an average annual rate of 0.6% to 4,113. Natural disasters and slowly declining wealth have been primarily responsible for the marginal declines. Marina operators have also faced increasing external competition from other leisure activities in recent years, such as country club and sporting events. Consequently, several small privately owned operators lost market share and closed operations, especially during the worst of the economic downturn. While a worsening economy caused many marinas to close, marina development was also limited by the number of appropriate locations for new docks and facilities.

Employment growth has remained relatively flat over the five years to 2012, averaging an increase of just 0.1% per year. Employment increased as firms responded to the increased demand for services offered by marinas, including repairs, storage and restaurants. Despite this factor, employment in the industry fell in 2008 and 2009 before inching forward from 2010 to 2012 to an estimated 28,650 people.

In line with decreasing industry revenue, wages have declined over the past five years. Industry wages are estimated to decrease an average of 1.2% per year over the five years to 2012. Decreased wages along with the increase in employment over this period signals a considerable decline in average salary, which is expected to fall to about \$33,169 in 2012 from about \$35,333 in 2007. Additionally, wages as a proportion of revenue have increased over the past five years from 23.5% in 2007 to 24.1% currently.

Outlook

Marinas in the United States will face slightly better prospects over the next five years than they have in recent years; however, growth will be slow, which is characteristic of mature industries like this one. Over the five years to 2017, industry revenue is projected to grow at an average of 1.3% annually to total \$4.2 billion, including growth of 0.8% in 2013. Profit is also expected to rise during the next five years, increasing to about 12.5% of revenue in 2017. Over the next five years, industry revenue will be affected by the level of household disposable income, consumer sentiment, travel and lifestyle changes and leisure time availability.

The decline in boat sales from 2007 to 2010 will have a lasting effect on marinas over the five years to 2017. Furthermore, despite the expected strengthening of consumer sentiment, boat sales are not expected to rebound substantially in the short term. Since boats are big-ticket, highly discretionary items, most consumers will be less able to afford these luxury items coming out of the severe recession. Fewer boats will result in lower demand for slip

rental. Marinas will also be affected by reduced boating activity and usage, and the need to service boats will fall.

Starting in 2015, a strengthening US economy will support growth in household disposable income levels and consumer sentiment. This trend will encourage greater discretionary spending on recreational activities and extraneous purchases, including boating. Renewed boat sales will be vital to the improved growth of the Marinas industry. This factor will have a direct impact on industry revenue, as people look for places to store their new assets. A limited number of new marinas are expected to open over the next five years, creating greater competition.

The industry will continue to face increasing competition from other leisure activities in the next five years. In response, marinas will likely diversify services in order to retain existing customers and gain new ones. IBISWorld expects the upstream Boat Dealership and Repair industry (IBISWorld report 44122c) will expand in the five years to 2017, primarily driven by a rebound in boat sales. As a result, the number of boats in use will increase, causing demand for marinas to rise. Eventually, this factor will increase prices for slip spaces, because there are limits to the growth of marina establishments. This trend will support higher profit for marinas from 2013 onward.

The number of establishments is expected to rise from 4,211 in 2012 to 4,311 by 2017, representing average annual growth of about 0.5% over the next five years. However, the saturated nature of the industry and the limited number of new marina sites will make it difficult for new establishments to enter the market.

Employment numbers are expected to increase at a steady pace over the next five years. From 2012 to 2017, employment is expected to grow an average of 0.7% per year. During this time, wages are expected to increase at a faster annualized rate of 1.4% as marinas try to retain employees and expand the range of services that they offer.

Another major challenge for marina operators will be the recruitment of qualified employees. An anticipated high turnover of the workforce will create major operating problems, as productivity and customer service levels decrease. The anticipated increase in wages may alleviate this problem, but this shift could also push berthing fees higher for boat owners.

The success and growth of marinas will be affected by the availability of appropriate land, which is limited. Many commercial marinas that seek to expand operations will face objection from local residents who are concerned about noise, obstruction of waterfront views and waterway traffic congestion. New environmental protection laws will also restrict the development of new marinas in certain coastal regions.

The industry will need to work hard to reverse drops in boating registration levels and boost boating participation numbers, particularly among younger ages and minority groups. The roughly 77.0 million baby boomers in the United States will give this industry a boost, though many in this group have delayed retirement because the global recession has negatively impacted a substantial proportion of their wealth.

APPENDIX H – MANAGERIAL FORECASTS

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The following tables represent management's⁴⁸ forecast of stabilized revenues and expenses including various assumptions including vacancy rates. The only adjustments⁴⁹ to the model developed by management have been for mathematical error or presentation issues.

Management's Projections Warpath Phase I Slip & Cabin Profile				
Type of Slip	# of Slips & Cabins	Monthly Rent	Total Monthly Rent	Total Annual Rent
25'-wet	0	0	0	0
30'-wet	102	370	37,740	452,880
40'-wet	0	0	0	0
100'-wet	0	0	0	0
25'-dry	100	295	29,500	354,000
30'-dry	100	345	34,500	414,000
35'-dry	0	0	0	0
2 bedroom cabin	8	3,200	25,600	307,200
3 bedroom cabin	2	4,000	8,000	96,000
Totals	312	\$434	\$135,340	\$1,624,080

Management's Projections Warpath Phase I Other Income			
Income Source		Monthly	Annual
Boat rental		3,333	40,000
Cottages		0	0
Dump fees		0	0
Fuel services profit		13,083	157,000
Hotel		0	0
Lodge restaurant		0	0
Marina restaurant		12,300	147,600
Marine repair		5,200	62,400
RV/tent park		20,151	241,813
Ship store profit		2,500	30,000
Storage fees		0	0
Totals		\$6,567	678,813

⁴⁸ This model was developed in 4th Quarter of 2012 and select tables were submitted with financing application to Dakota Holdings.

⁴⁹ Adjustments were noted in accompanying footnotes.

1. Added 200 Drystack units that appear on combined Phase I & II but don't appear on subsheet *Phase I Profile & Other* or subsheet *Phase II Profile & Other*. These units are listed on the *Phase I Construction Budget*.

2. Removed Cabins from Other Income as is already included in Profile.

Management's Projections Warpath Phase I Proforma Income & Expense (Stabilized)		
Item	Annually	%
Income:		
Gross Rental Income	\$1,624,080	
Less Vacancy (12%) ¹	194,890	
Effective Gross Income	\$1,429,190	
Other Income	678,813	
Total Revenue	\$2,108,003	100%
Expenses:		
Rental	0	0%
Marketing	35,000	2%
Payroll	250,000	11%
Management Fees	0	0%
Utilities	60,000	3%
Maintenance and Replacement	50,000	2%
Property Taxes	75,000	3%
Insurance	80,000	4%
Total Expenses	\$550,000	25%
Net Operating Income (NOI)	\$1,558,003	75%

1. Computed off of Phase I vacancy for Dakota Submission.

Management's Projections Warpath Phase II Profile Hotel, Restaurant & Cottage Income				
Income Source	Vac- ancy	#	Monthly	Annual
Boat rental		0	0	0
Cottages-2 br	35%	7	14,697	176,358
Cottages-3 br	35%	12	30,498	365,976
Dump fees		0	0	0
Fuel services profit		0	0	0
Hotel	35%	100	79,578	954,931
Lodge restaurant			13,000	156,000
Marina restaurant		0	0	0
Marine repair		0	0	0
RV/tent park-60% vac.		0	0	0
Ship store profit		0	0	0
Storage fees		0	0	0
Totals			137,772	1,653,265

Hotel:	Rooms	Per night	Profit
	100	\$115	35%
Cottages:	#	Per month	Profit
	7	\$3,800	85%
	12	\$4,600	85%
Lodge restaurant	Per week	Profit	
	\$10,000	30%	

1. Unadjusted Hotel was computed using rooms available times rate per night times profit percentage times the occupancy rate (1-vacancy rate)
2. Cottages were adjusted to the formula highlighted in (1) resulting in less monthly and less annual fees

Management's Projections			
Warpath Phase II Proforma Income & Exp.			
(Stabilized)			
Item	Annually	%	
Income:			
Gross Rental Income	\$0		
Less 5% Vacancy	<u>0</u>		
Effective Gross Income	\$0		
Other Income (net)	<u>1,653,265</u>		
Total Revenue	\$1,653,265	100%	
Expenses:			
Rental	0	0%	
Marketing	10,000	1%	
Payroll	15,000	1%	
Management Fees	0	0%	
Utilities	10,000	1%	
Maintenance and Replacement	15,000	1%	
Property Taxes	18,000	1%	
Insurance	<u>15,000</u>	1%	
Total Expenses	\$83,000	5%	
Net Operating Income (NOI)	<u>\$1,570,265</u>	95%	

1. Other Income adjusted per Phase II Profile sheet

Management's Projections Warpath Phase I & II Combined Slip & Cabin Profile				
Type of Slip	# of Slips & Cabins	Monthly Rent	Total Monthly Rent	Total Annual Rent
25'-wet	0	0	0	0
30'-wet	102	370	37,740	452,880
40'-wet	0	0	0	0
100'-wet	0	0	0	0
25'-dry	100	295	29,500	354,000
30'-dry	100	345	34,500	414,000
35'-dry	0	0	0	0
2 bedroom cabin	8	3,200	25,600	307,200
3 bedroom cabin	2	4,000	8,000	96,000
Totals	312	\$434	\$135,340	\$1,624,080
	(Total)	(Average)	(Total)	(Total)
Management's Projections Warpath Phase I & II Combined Other Income				
Income Source		Monthly	Annual	
Boat rental		3,333	40,000	
Cottages		45,195	542,334	
Dump fees		0	0	
Fuel services profit		13,083	157,000	
Hotel-35% vac.		79,578	954,931	
Lodge restaurant		13,000	156,000	
Marina restaurant		12,300	147,600	
Marine repair		5,200	62,400	
RV/tent park-60% vac.		20,151	241,813	
Ship store profit		2,500	30,000	
Storage fees		0	0	
Totals		194,339	2,332,078	

1. Removed Cabins from Other Income as is already included in Profile.

Warpath Development, Inc.
Warpath Phase I & II Combined Proforma Income and Expense
Managements Projections (Stabilized)
As of December 31, 2012

Income:

Gross Rental Income	\$ 1,624,080
Less Vacancy (12%)	<u>194,890</u>
Net Rental Income	1,429,190
Other Income (net)	<u>2,332,078</u>
Total Income	3,761,269

Operating Expenses:

Marketing	45,000
Payroll	265,000
Utilities	70,000
Maintenance and Replacement	65,000
Property Taxes	93,000
Insurance	<u>95,000</u>
Total Operating Expenses	633,000
Net Operating Income (NOI)	<u>\$ 3,128,269</u>

1. Based on Management's Projections but adjusted for mathematical errors found in sub-sheets.

APPENDIX I – NET OPERATING INCOME STABILIZATION

Messrs. Wallace K. Lightsey and Joshua Howard
 Warpath Development, Inc.

Valuation Date: December 31, 2012
 Report Date: April 29, 2013

Warpath Development, Inc. Stabilization of NOI ¹ As of December 31, 2012													
	Year 1												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total Year 1
Rental income													
30'-wet													\$ -
25'-dry													-
30'-dry													-
2 bedroom cabin													-
3 bedroom cabin													-
Total Gross Rental Income													-
Less Vacancy (12%)													-
Net Rental Income													-
Other Income -													-
Boat rental													-
Cottages													-
Fuel services profit													-
Hotel-35% vac.													-
Lodge restaurant													-
Marina restaurant													-
Marine repair													-
RV/tent park-60% vac.													-
Ship store profit													-
Total Other Income (net)													-
Total Income													-
Operating Expenses													-
Marketing - Phase I													-
Marketing - Phase II													-
Payroll - Phase I													-
Payroll - Phase II													-
Utilities - Phase I													-
Utilities - Phase II													-
Maintenance and Replacement - Phase I													-
Maintenance and Replacement - Phase II													-
Property Taxes - Phase I													-
Property Taxes - Phase II													-
Insurance - Phase I													-
Insurance - Phase II													-
Total Operating Expenses													-
Net Operating Income (NOI)													-

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Warpath Development, Inc. Stabilization of NOI ¹ As of December 31, 2012													
	Year 2												
	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Total Year 2
Rental Income													
30'-wet	\$	-	\$ 2,097	\$ 4,193	\$ 6,290	\$ 8,387	\$ 10,483	\$ 12,580	\$ 14,677	\$ 16,773	\$ 18,870	\$ 20,967	\$ 115,317
25'-dry	-	-	1,639	3,278	4,917	6,556	8,194	9,833	11,472	13,111	14,750	16,389	90,139
30'-dry	-	-	1,917	3,833	5,750	7,667	9,583	11,500	13,417	15,333	17,250	19,167	105,417
2 bedroom cabin	-	-	1,422	2,844	4,267	5,689	7,111	8,533	9,956	11,378	12,800	14,222	78,222
3 bedroom cabin	-	-	444	889	1,333	1,778	2,222	2,667	3,111	3,556	4,000	4,444	24,444
Total Gross Rental Income			7,519	15,038	22,557	30,076	37,594	45,113	52,632	60,151	67,670	75,189	413,539
Less Vacancy (12%)			(902)	(1,805)	(2,707)	(3,609)	(4,511)	(5,414)	(6,316)	(7,218)	(8,120)	(9,023)	(49,625)
Net Rental Income			6,617	13,233	19,850	26,466	33,083	39,700	46,316	52,933	59,550	66,166	363,914
Other Income													
Boat rental	-	-	185	370	556	741	926	1,111	1,296	1,481	1,667	1,852	10,185
Cottages	-	-	-	-	-	-	-	2,511	5,022	7,532	10,043	12,554	37,662
Fuel services profit	-	-	727	1,454	2,181	2,907	3,634	4,361	5,088	5,815	6,542	7,269	39,977
Hotel-35% vac.	-	-	-	-	-	-	-	4,421	8,842	13,263	17,684	22,105	66,315
Lodge restaurant	-	-	-	-	-	-	-	722	1,444	2,167	2,889	3,611	10,833
Marina restaurant	-	-	683	1,367	2,050	2,733	3,417	4,100	4,783	5,467	6,150	6,833	37,583
Marine repair	-	-	289	578	867	1,156	1,444	1,733	2,022	2,311	2,600	2,889	15,889
RV/tent park-60% vac.	-	-	1,120	2,239	3,359	4,478	5,598	6,717	7,837	8,956	10,076	11,195	61,573
Ship store profit	-	-	139	278	417	556	694	833	972	1,111	1,250	1,389	7,639
Total Other Income (net)			3,143	6,285	9,428	12,571	15,713	26,510	37,307	48,103	58,900	69,697	287,656
Total Income			9,759	19,519	29,278	39,037	48,796	66,210	83,623	101,036	118,449	135,863	651,570
Operating Expenses													
Marketing - Phase I	-	-	162	324	486	648	810	972	1,134	1,296	1,458	1,620	8,912
Marketing - Phase II	-	-	-	-	-	-	-	46	93	139	185	231	694
Payroll - Phase I	-	-	1,157	2,315	3,472	4,630	5,787	6,944	8,102	9,259	10,417	11,574	63,657
Payroll - Phase II	-	-	-	-	-	-	-	69	139	208	278	347	1,042
Utilities - Phase I	-	-	278	556	833	1,111	1,389	1,667	1,944	2,222	2,500	2,778	15,278
Utilities - Phase II	-	-	-	-	-	-	-	46	93	139	185	231	694
Maintenance and Replacement - Phase I	-	-	231	463	694	926	1,157	1,389	1,620	1,852	2,083	2,315	12,731
Maintenance and Replacement - Phase II	-	-	-	-	-	-	-	69	139	208	278	347	1,042
Property Taxes - Phase I	-	-	347	694	1,042	1,389	1,736	2,083	2,431	2,778	3,125	3,472	19,097
Property Taxes - Phase II	-	-	-	-	-	-	-	83	167	250	333	417	1,250
Insurance - Phase I	-	-	370	741	1,111	1,481	1,852	2,222	2,593	2,963	3,333	3,704	20,370
Insurance - Phase II	-	-	-	-	-	-	-	69	139	208	278	347	1,042
Total Operating Expenses			2,546	5,093	7,639	10,185	12,731	15,662	18,593	21,523	24,454	27,384	145,810
Net Operating Income (NOI)			7,213	14,426	21,639	28,852	36,065	50,548	65,030	79,513	93,996	108,479	505,760

Warpath Development, Inc. Stabilization of NOI ¹ As of December 31, 2012													
	Year 3												Total Year 3
	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36	
Rental Income													
30'-wet	\$ 23,063	\$ 25,160	\$ 27,257	\$ 29,353	\$ 31,450	\$ 33,547	\$ 35,643	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 394,173
25'-dry	18,028	19,667	21,306	22,944	24,583	26,222	27,861	29,500	29,500	29,500	29,500	29,500	308,111
30'-dry	21,083	23,000	24,917	26,833	28,750	30,667	32,583	34,500	34,500	34,500	34,500	34,500	360,333
2 bedroom cabin	15,644	17,067	18,489	19,911	21,333	22,756	24,178	25,600	25,600	25,600	25,600	25,600	267,378
3 bedroom cabin	4,889	5,333	5,778	6,222	6,667	7,111	7,556	8,000	8,000	8,000	8,000	8,000	83,556
Total Gross Rental Income	82,708	90,227	97,746	105,264	112,783	120,302	127,821	135,340	135,340	135,340	135,340	135,340	1,413,551
Less Vacancy (12%)	(9,925)	(10,827)	(11,729)	(12,632)	(13,534)	(14,436)	(15,339)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(169,626)
Net Rental Income	72,783	79,399	86,016	92,633	99,249	105,866	112,483	119,099	119,099	119,099	119,099	119,099	1,243,925
Other Income													
Boat rental	2,037	2,222	2,407	2,593	2,778	2,963	3,148	3,333	3,333	3,333	3,333	3,333	34,815
Cottages	15,065	17,576	20,086	22,597	25,108	27,619	30,130	32,640	35,151	37,662	40,173	42,684	346,491
Fuel services profit	7,995	8,722	9,449	10,176	10,903	11,630	12,356	13,083	13,083	13,083	13,083	13,083	136,648
Hotel-35% vac.	26,526	30,947	35,368	39,789	44,210	48,631	53,052	57,473	61,894	66,315	70,736	75,157	610,095
Lodge restaurant	4,333	5,056	5,778	6,500	7,222	7,944	8,667	9,389	10,111	10,833	11,556	12,278	99,667
Marina restaurant	7,517	8,200	8,883	9,567	10,250	10,933	11,617	12,300	12,300	12,300	12,300	12,300	128,467
Marine repair	3,178	3,467	3,756	4,044	4,333	4,622	4,911	5,200	5,200	5,200	5,200	5,200	54,311
RV/tent park-60% vac.	12,315	13,434	14,554	15,673	16,793	17,912	19,032	20,151	20,151	20,151	20,151	20,151	210,467
Ship store profit	1,528	1,667	1,806	1,944	2,083	2,222	2,361	2,500	2,500	2,500	2,500	2,500	26,111
Total Other Income (net)	80,493	91,290	102,087	112,883	123,680	134,477	145,273	156,070	163,724	171,378	179,032	186,686	1,647,072
Total Income	153,276	170,689	188,103	205,516	222,929	240,342	257,756	275,169	282,823	290,477	298,131	305,785	2,890,996
Operating Expenses													
Marketing - Phase I	1,782	1,944	2,106	2,269	2,431	2,593	2,755	2,917	2,917	2,917	2,917	2,917	30,463
Marketing - Phase II	278	324	370	417	463	509	556	602	648	694	741	787	6,389
Payroll - Phase I	12,731	13,889	15,046	16,204	17,361	18,519	19,676	20,833	20,833	20,833	20,833	20,833	217,593
Payroll - Phase II	417	486	556	625	694	764	833	903	972	1,042	1,111	1,181	9,583
Utilities - Phase I	3,056	3,333	3,611	3,889	4,167	4,444	4,722	5,000	5,000	5,000	5,000	5,000	52,222
Utilities - Phase II	278	324	370	417	463	509	556	602	648	694	741	787	6,389
Maintenance and Replacement - Phase I	2,546	2,778	3,009	3,241	3,472	3,704	3,935	4,167	4,167	4,167	4,167	4,167	43,519
Maintenance and Replacement - Phase II	417	486	556	625	694	764	833	903	972	1,042	1,111	1,181	9,583
Property Taxes - Phase I	3,819	4,167	4,514	4,861	5,208	5,556	5,903	6,250	6,250	6,250	6,250	6,250	65,278
Property Taxes - Phase II	500	583	667	750	833	917	1,000	1,083	1,167	1,250	1,333	1,417	11,500
Insurance - Phase I	4,074	4,444	4,815	5,185	5,556	5,926	6,296	6,667	6,667	6,667	6,667	6,667	69,630
Insurance - Phase II	417	486	556	625	694	764	833	903	972	1,042	1,111	1,181	9,583
Total Operating Expenses	30,315	33,245	36,176	39,106	42,037	44,968	47,898	50,829	51,213	51,597	51,981	52,366	531,731
Net Operating Income (NOI)	122,961	137,444	151,927	166,409	180,892	195,375	209,858	224,340	231,610	238,880	246,150	253,419	2,359,265

Warpeth Development, Inc. Stabilization of NOI ¹ As of December 31, 2012													
Year 4													
	Month 37	Month 38	Month 39	Month 40	Month 41	Month 42	Month 43	Month 44	Month 45	Month 46	Month 47	Month 48	Total Year 4
Rental Income													
30'-wet	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 37,740	\$ 452,880
25'-dry	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	354,000
30'-dry	34,500	34,500	34,500	34,500	34,500	34,500	34,500	34,500	34,500	34,500	34,500	34,500	414,000
2 bedroom cabin	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	307,200
3 bedroom cabin	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
Total Gross Rental Income	135,340	135,340	135,340	135,340	135,340	135,340	135,340	135,340	135,340	135,340	135,340	135,340	1,624,080
Less Vacancy (12%)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(16,241)	(194,880)
Net Rental Income	119,099	119,099	119,099	119,099	119,099	119,099	119,099	119,099	119,099	119,099	119,099	119,099	1,429,199
Other Income													
Boat rental	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
Cottages	45,195	45,195	45,195	45,195	45,195	45,195	45,195	45,195	45,195	45,195	45,195	45,195	542,334
Fuel services profit	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	13,083	157,000
Hotel-35% vac.	79,578	79,578	79,578	79,578	79,578	79,578	79,578	79,578	79,578	79,578	79,578	79,578	954,931
Lodge restaurant	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	156,000
Marina restaurant	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300	147,600
Marine repair	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	62,400
RV/tent park-60% vac.	20,151	20,151	20,151	20,151	20,151	20,151	20,151	20,151	20,151	20,151	20,151	20,151	241,813
Ship store profit	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Total Other Income (net)	194,340	194,340	194,340	194,340	194,340	194,340	194,340	194,340	194,340	194,340	194,340	194,340	2,332,078
Total Income	313,439	313,439	313,439	313,439	313,439	313,439	313,439	313,439	313,439	313,439	313,439	313,439	3,761,269
Operating Expenses													
Marketing - Phase I	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	35,000
Marketing - Phase II	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Payroll - Phase I	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	250,000
Payroll - Phase II	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
Utilities - Phase I	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Utilities - Phase II	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Maintenance and Replacement - Phase I	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000
Maintenance and Replacement - Phase II	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
Property Taxes - Phase I	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000
Property Taxes - Phase II	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Insurance - Phase I	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	80,000
Insurance - Phase II	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
Total Operating Expenses	52,750	52,750	52,750	52,750	52,750	52,750	52,750	52,750	52,750	52,750	52,750	52,750	633,000
Net Operating Income (NOI)	260,689	260,689	260,689	260,689	260,689	260,689	260,689	260,689	260,689	260,689	260,689	260,689	3,128,269

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Messrs. Wallace K. Lightsey and Joshua Howard
Warpath Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

Warpath Development, Inc. Stabilization of NOI ¹ As of December 31, 2012													
Year 5													
	Month 49	Month 50	Month 51	Month 52	Month 53	Month 54	Month 55	Month 56	Month 57	Month 58	Month 59	Month 60	Total Year 5
Rental Income													
30'-wet	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 38,495	\$ 461,938
25'-dry	30,090	30,090	30,090	30,090	30,090	30,090	30,090	30,090	30,090	30,090	30,090	30,090	361,080
30'-dry	35,190	35,190	35,190	35,190	35,190	35,190	35,190	35,190	35,190	35,190	35,190	35,190	422,280
2 bedroom cabin	26,112	26,112	26,112	26,112	26,112	26,112	26,112	26,112	26,112	26,112	26,112	26,112	313,344
3 bedroom cabin	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	97,920
Total Gross Rental Income	138,047	138,047	138,047	138,047	138,047	138,047	138,047	138,047	138,047	138,047	138,047	138,047	1,656,562
Less Vacancy (12%)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(16,566)	(198,787)
Net Rental Income	121,481	121,481	121,481	121,481	121,481	121,481	121,481	121,481	121,481	121,481	121,481	121,481	1,457,774
Other Income													
Boat rental	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	40,800
Cottages	46,098	46,098	46,098	46,098	46,098	46,098	46,098	46,098	46,098	46,098	46,098	46,098	553,181
Fuel services profit	13,345	13,345	13,345	13,345	13,345	13,345	13,345	13,345	13,345	13,345	13,345	13,345	160,140
Hotel-35% vac.	81,169	81,169	81,169	81,169	81,169	81,169	81,169	81,169	81,169	81,169	81,169	81,169	974,030
Lodge restaurant	13,260	13,260	13,260	13,260	13,260	13,260	13,260	13,260	13,260	13,260	13,260	13,260	159,120
Marina restaurant	12,546	12,546	12,546	12,546	12,546	12,546	12,546	12,546	12,546	12,546	12,546	12,546	150,552
Marine repair	5,304	5,304	5,304	5,304	5,304	5,304	5,304	5,304	5,304	5,304	5,304	5,304	63,648
RV/tent park-60% vac.	20,554	20,554	20,554	20,554	20,554	20,554	20,554	20,554	20,554	20,554	20,554	20,554	246,649
Ship store profit	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	30,600
Total Other Income (net)	198,227	198,227	198,227	198,227	198,227	198,227	198,227	198,227	198,227	198,227	198,227	198,227	2,378,720
Total Income	319,708	319,708	319,708	319,708	319,708	319,708	319,708	319,708	319,708	319,708	319,708	319,708	3,836,494
Operating Expenses													
Marketing - Phase I	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	35,700
Marketing - Phase II	850	850	850	850	850	850	850	850	850	850	850	850	10,200
Payroll - Phase I	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	255,000
Payroll - Phase II	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	15,300
Utilities - Phase I	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	61,200
Utilities - Phase II	850	850	850	850	850	850	850	850	850	850	850	850	10,200
Maintenance and Replacement - Phase I	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	51,000
Maintenance and Replacement - Phase II	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	15,300
Property Taxes - Phase I	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	76,500
Property Taxes - Phase II	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	18,360
Insurance - Phase I	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	81,600
Insurance - Phase II	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	15,300
Total Operating Expenses	53,805	53,805	53,805	53,805	53,805	53,805	53,805	53,805	53,805	53,805	53,805	53,805	645,660
Net Operating Income (NOI)	265,903	265,903	265,903	265,903	265,903	265,903	265,903	265,903	265,903	265,903	265,903	265,903	3,190,834

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Messrs. Wallace K. Lightsey and Joshua Howard
Warpath Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

Warpath Development, Inc. Stabilization of NOI ¹ As of December 31, 2012													
	Year 6												
	Month 61	Month 62	Month 63	Month 64	Month 65	Month 66	Month 67	Month 68	Month 69	Month 70	Month 71	Month 72	Total Year 6
Rental Income													
30'-wet	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 39,265	\$ 471,176
25'-dry	30,692	30,692	30,692	30,692	30,692	30,692	30,692	30,692	30,692	30,692	30,692	30,692	368,302
30'-dry	35,894	35,894	35,894	35,894	35,894	35,894	35,894	35,894	35,894	35,894	35,894	35,894	430,726
2 bedroom cabin	26,634	26,634	26,634	26,634	26,634	26,634	26,634	26,634	26,634	26,634	26,634	26,634	319,611
3 bedroom cabin	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	99,878
Total Gross Rental Income	140,808	140,808	140,808	140,808	140,808	140,808	140,808	140,808	140,808	140,808	140,808	140,808	1,689,693
Less Vacancy (12%)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(16,897)	(202,763)
Net Rental Income	123,911	123,911	123,911	123,911	123,911	123,911	123,911	123,911	123,911	123,911	123,911	123,911	1,486,930
Other Income													
Boat rental	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	41,616
Cottages	47,020	47,020	47,020	47,020	47,020	47,020	47,020	47,020	47,020	47,020	47,020	47,020	564,244
Fuel services profit	13,612	13,612	13,612	13,612	13,612	13,612	13,612	13,612	13,612	13,612	13,612	13,612	163,342
Hotel-35% vac.	82,793	82,793	82,793	82,793	82,793	82,793	82,793	82,793	82,793	82,793	82,793	82,793	993,510
Lodge restaurant	13,525	13,525	13,525	13,525	13,525	13,525	13,525	13,525	13,525	13,525	13,525	13,525	162,302
Marina restaurant	12,797	12,797	12,797	12,797	12,797	12,797	12,797	12,797	12,797	12,797	12,797	12,797	153,563
Marine repair	5,410	5,410	5,410	5,410	5,410	5,410	5,410	5,410	5,410	5,410	5,410	5,410	64,921
RV/tent park-60% vac.	20,965	20,965	20,965	20,965	20,965	20,965	20,965	20,965	20,965	20,965	20,965	20,965	251,582
Ship store profit	2,601	2,601	2,601	2,601	2,601	2,601	2,601	2,601	2,601	2,601	2,601	2,601	31,212
Total Other Income (net)	202,191	202,191	202,191	202,191	202,191	202,191	202,191	202,191	202,191	202,191	202,191	202,191	2,426,294
Total Income	326,102	326,102	326,102	326,102	326,102	326,102	326,102	326,102	326,102	326,102	326,102	326,102	3,913,224
Operating Expenses													
Marketing - Phase I	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	36,414
Marketing - Phase II	867	867	867	867	867	867	867	867	867	867	867	867	10,404
Payroll - Phase I	21,675	21,675	21,675	21,675	21,675	21,675	21,675	21,675	21,675	21,675	21,675	21,675	260,100
Payroll - Phase II	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	15,606
Utilities - Phase I	5,202	5,202	5,202	5,202	5,202	5,202	5,202	5,202	5,202	5,202	5,202	5,202	62,424
Utilities - Phase II	867	867	867	867	867	867	867	867	867	867	867	867	10,404
Maintenance and Replacement - Phase I	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	4,335	52,020
Maintenance and Replacement - Phase II	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	15,606
Property Taxes - Phase I	6,503	6,503	6,503	6,503	6,503	6,503	6,503	6,503	6,503	6,503	6,503	6,503	78,030
Property Taxes - Phase II	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	18,727
Insurance - Phase I	6,936	6,936	6,936	6,936	6,936	6,936	6,936	6,936	6,936	6,936	6,936	6,936	83,232
Insurance - Phase II	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	15,606
Total Operating Expenses	54,881	54,881	54,881	54,881	54,881	54,881	54,881	54,881	54,881	54,881	54,881	54,881	658,573
Net Operating Income (NOI)	271,221	271,221	271,221	271,221	271,221	271,221	271,221	271,221	271,221	271,221	271,221	271,221	3,254,651

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Warpath Development, Inc. Stabilization of NOI ¹ As of December 31, 2012														
	Year 7													Total Year 7
	Month 73	Month 74	Month 75	Month 76	Month 77	Month 78	Month 79	Month 80	Month 81	Month 82	Month 83	Month 84		
Rental Income														
30'-wet	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 40,050	\$ 480,600
25'-dry	31,306	31,306	31,306	31,306	31,306	31,306	31,306	31,306	31,306	31,306	31,306	31,306	31,306	375,668
30'-dry	36,612	36,612	36,612	36,612	36,612	36,612	36,612	36,612	36,612	36,612	36,612	36,612	36,612	439,340
2 bedroom cabin	27,167	27,167	27,167	27,167	27,167	27,167	27,167	27,167	27,167	27,167	27,167	27,167	27,167	326,003
3 bedroom cabin	8,490	8,490	8,490	8,490	8,490	8,490	8,490	8,490	8,490	8,490	8,490	8,490	8,490	101,876
Total Gross Rental Income	143,624	143,624	143,624	143,624	143,624	143,624	143,624	143,624	143,624	143,624	143,624	143,624	143,624	1,723,487
Less Vacancy (12%)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(17,235)	(206,818)
Net Rental Income	126,389	126,389	126,389	126,389	126,389	126,389	126,389	126,389	126,389	126,389	126,389	126,389	126,389	1,516,668
Other Income														
Boat rental	3,537	3,537	3,537	3,537	3,537	3,537	3,537	3,537	3,537	3,537	3,537	3,537	3,537	42,448
Cottages	47,961	47,961	47,961	47,961	47,961	47,961	47,961	47,961	47,961	47,961	47,961	47,961	47,961	575,529
Fuel services profit	13,884	13,884	13,884	13,884	13,884	13,884	13,884	13,884	13,884	13,884	13,884	13,884	13,884	166,610
Hotel-35% vac.	84,448	84,448	84,448	84,448	84,448	84,448	84,448	84,448	84,448	84,448	84,448	84,448	84,448	1,013,381
Lodge restaurant	13,796	13,796	13,796	13,796	13,796	13,796	13,796	13,796	13,796	13,796	13,796	13,796	13,796	165,548
Marina restaurant	13,053	13,053	13,053	13,053	13,053	13,053	13,053	13,053	13,053	13,053	13,053	13,053	13,053	156,634
Marine repair	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518	66,219
RV/tent park-60% vac.	21,384	21,384	21,384	21,384	21,384	21,384	21,384	21,384	21,384	21,384	21,384	21,384	21,384	256,614
Ship store profit	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	31,836
Total Other Income (net)	206,235	206,235	206,235	206,235	206,235	206,235	206,235	206,235	206,235	206,235	206,235	206,235	206,235	2,474,820
Total Income	332,624	332,624	332,624	332,624	332,624	332,624	332,624	332,624	332,624	332,624	332,624	332,624	332,624	3,991,488
Operating Expenses														
Marketing - Phase I	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	3,095	37,142
Marketing - Phase II	884	884	884	884	884	884	884	884	884	884	884	884	884	10,612
Payroll - Phase I	22,109	22,109	22,109	22,109	22,109	22,109	22,109	22,109	22,109	22,109	22,109	22,109	22,109	265,302
Payroll - Phase II	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	15,918
Utilities - Phase I	5,306	5,306	5,306	5,306	5,306	5,306	5,306	5,306	5,306	5,306	5,306	5,306	5,306	63,672
Utilities - Phase II	884	884	884	884	884	884	884	884	884	884	884	884	884	10,612
Maintenance and Replacement - Phase I	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	53,060
Maintenance and Replacement - Phase II	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	15,918
Property Taxes - Phase I	6,633	6,633	6,633	6,633	6,633	6,633	6,633	6,633	6,633	6,633	6,633	6,633	6,633	79,591
Property Taxes - Phase II	1,592	1,592	1,592	1,592	1,592	1,592	1,592	1,592	1,592	1,592	1,592	1,592	1,592	19,102
Insurance - Phase I	7,075	7,075	7,075	7,075	7,075	7,075	7,075	7,075	7,075	7,075	7,075	7,075	7,075	84,897
Insurance - Phase II	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	15,918
Total Operating Expenses	55,979	55,979	55,979	55,979	55,979	55,979	55,979	55,979	55,979	55,979	55,979	55,979	55,979	671,745
Net Operating Income (NOI)	276,645	276,645	276,645	276,645	276,645	276,645	276,645	276,645	276,645	276,645	276,645	276,645	276,645	3,319,744

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Messrs. Wallace K. Lightsey and Joshua Howard
Warpath Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

Warpath Development, Inc. Stabilization of NOI ¹ As of December 31, 2012													
	Year 8												Total Year 8
	Month 85	Month 86	Month 87	Month 88	Month 89	Month 90	Month 91	Month 92	Month 93	Month 94	Month 95	Month 96	
Rental Income													
30'-wet	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 40,851	\$ 490,212
25'-dry	31,932	31,932	31,932	31,932	31,932	31,932	31,932	31,932	31,932	31,932	31,932	31,932	383,181
30'-dry	37,344	37,344	37,344	37,344	37,344	37,344	37,344	37,344	37,344	37,344	37,344	37,344	448,127
2 bedroom cabin	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	332,523
3 bedroom cabin	8,659	8,659	8,659	8,659	8,659	8,659	8,659	8,659	8,659	8,659	8,659	8,659	103,913
Total Gross Rental Income	146,496	146,496	146,496	146,496	146,496	146,496	146,496	146,496	146,496	146,496	146,496	146,496	1,757,956
Less Vacancy (12%)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(17,580)	(210,955)
Net Rental Income	128,917	128,917	128,917	128,917	128,917	128,917	128,917	128,917	128,917	128,917	128,917	128,917	1,547,002
Other Income													
Boat rental	3,608	3,608	3,608	3,608	3,608	3,608	3,608	3,608	3,608	3,608	3,608	3,608	43,297
Cottages	48,920	48,920	48,920	48,920	48,920	48,920	48,920	48,920	48,920	48,920	48,920	48,920	587,040
Fuel services profit	14,162	14,162	14,162	14,162	14,162	14,162	14,162	14,162	14,162	14,162	14,162	14,162	169,942
Hotel-35% vac.	86,137	86,137	86,137	86,137	86,137	86,137	86,137	86,137	86,137	86,137	86,137	86,137	1,033,648
Lodge restaurant	14,072	14,072	14,072	14,072	14,072	14,072	14,072	14,072	14,072	14,072	14,072	14,072	168,859
Marina restaurant	13,314	13,314	13,314	13,314	13,314	13,314	13,314	13,314	13,314	13,314	13,314	13,314	159,767
Marine repair	5,629	5,629	5,629	5,629	5,629	5,629	5,629	5,629	5,629	5,629	5,629	5,629	67,544
RV/tent park-60% vac.	21,812	21,812	21,812	21,812	21,812	21,812	21,812	21,812	21,812	21,812	21,812	21,812	261,746
Ship store profit	2,706	2,706	2,706	2,706	2,706	2,706	2,706	2,706	2,706	2,706	2,706	2,706	32,473
Total Other Income (net)	210,360	210,360	210,360	210,360	210,360	210,360	210,360	210,360	210,360	210,360	210,360	210,360	2,524,316
Total Income	339,277	339,277	339,277	339,277	339,277	339,277	339,277	339,277	339,277	339,277	339,277	339,277	4,071,318
Operating Expenses													
Marketing - Phase I	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	37,885
Marketing - Phase II	902	902	902	902	902	902	902	902	902	902	902	902	10,824
Payroll - Phase I	22,551	22,551	22,551	22,551	22,551	22,551	22,551	22,551	22,551	22,551	22,551	22,551	270,608
Payroll - Phase II	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	16,236
Utilities - Phase I	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	64,946
Utilities - Phase II	902	902	902	902	902	902	902	902	902	902	902	902	10,824
Maintenance and Replacement - Phase I	4,510	4,510	4,510	4,510	4,510	4,510	4,510	4,510	4,510	4,510	4,510	4,510	54,122
Maintenance and Replacement - Phase II	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	16,236
Property Taxes - Phase I	6,765	6,765	6,765	6,765	6,765	6,765	6,765	6,765	6,765	6,765	6,765	6,765	81,182
Property Taxes - Phase II	1,624	1,624	1,624	1,624	1,624	1,624	1,624	1,624	1,624	1,624	1,624	1,624	19,484
Insurance - Phase I	7,216	7,216	7,216	7,216	7,216	7,216	7,216	7,216	7,216	7,216	7,216	7,216	86,595
Insurance - Phase II	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	16,236
Total Operating Expenses	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	685,180
Net Operating Income (NOI)	282,178	282,178	282,178	282,178	282,178	282,178	282,178	282,178	282,178	282,178	282,178	282,178	3,386,139

Warpeth Development, Inc.
Stabilization of NOI¹
As of December 31, 2012

	Residual Period
Rental Income	
30'-wet	\$ 490,212
25'-dry	383,181
30'-dry	448,127
2 bedroom cabin	332,523
3 bedroom cabin	103,913
Total Gross Rental Income	1,757,956
Less Vacancy (12%)	(210,955)
Net Rental Income	1,547,002
Other Income	
Boat rental	43,297
Cottages	587,040
Fuel services profit	169,942
Hotel-35% vac.	1,033,648
Lodge restaurant	168,859
Marina restaurant	159,767
Marine repair	67,544
RV/tent park-60% vac.	261,746
Ship store profit	32,473
Total Other Income (net)	2,524,316
Total Income	4,071,318
Operating Expenses	
Marketing - Phase I	37,885
Marketing - Phase II	10,824
Payroll - Phase I	270,608
Payroll - Phase II	16,236
Utilities - Phase I	64,946
Utilities - Phase II	10,824
Maintenance and Replacement - Phase I	54,122
Maintenance and Replacement - Phase II	16,236
Property Taxes - Phase I	81,182
Property Taxes - Phase II	19,484
Insurance - Phase I	86,595
Insurance - Phase II	16,236
Total Operating Expenses	685,180
Net Operating Income (NOI)	3,386,139

APPENDIX I – CONSTRUCTION DRAW SCHEDULES

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Messrs. Wallace K. Lightsey and Joshua Howard
 Warpath Development, Inc.

Valuation Date: December 31, 2012
 Report Date: April 29, 2013

Warpath Landing Resort and Marina Draw Schedule Phase I				
Date/Time Period	Percentage	Hard Costs	Soft Costs	Total Costs
Total Funding		\$ 8,705,217	\$ 267,619	\$ 8,972,836
Initial Draw	30%	2,611,565.10	80,285.70	2,691,851
3 Months	10%	870,521.70	26,761.90	897,284
5 Months	10%	870,521.70	26,761.90	897,284
7 Months	10%	870,521.70	26,761.90	897,284
9 Months	10%	870,521.70	26,761.90	897,284
11 Months	10%	870,521.70	26,761.90	897,284
13 Months	10%	870,521.70	26,761.90	897,284
15 Months	10%	870,521.70	26,761.90	897,284
17 Months		-	-	-
19 Months		-	-	-
Total	100%	\$ 8,705,217	\$ 267,619	\$ 8,972,837

Warpath Landing Resort and Marina Draw Schedule Phase II				
Date/Time Period	Percentage	Hard Costs	Soft Costs	Total Costs
Total Funding		\$ 12,173,900	\$ 305,989	\$ 12,479,889
Initial Draw		-	-	-
3 Months		-	-	-
5 Months	30%	3,652,170	91,797	3,743,967
7 Months	10%	1,217,390	30,599	1,247,989
9 Months	10%	1,217,390	30,599	1,247,989
11 Months	10%	1,217,390	30,599	1,247,989
13 Months	10%	1,217,390	30,599	1,247,989
15 Months	10%	1,217,390	30,599	1,247,989
17 Months	10%	1,217,390	30,599	1,247,989
19 Months	10%	1,217,390	30,599	1,247,989
Total	100%	\$ 12,173,900	\$ 305,989	\$ 12,479,890

Messrs. Wallace K. Lightsey and Joshua Howard
Warpath Development, Inc.

Valuation Date: December 31, 2012
Report Date: April 29, 2013

Warpath Landing Resort and Marina Draw Schedule Combined Phase I and II								
Date/Time Period	Percentage	Hard Costs	Soft Costs	Total Costs	Equity Funded	Debt Funded	Balance Remaining	Construction Interest
Total Funding		\$ 20,879,117	\$ 573,608	\$ 21,452,725	\$ (10,726,363)	\$ 10,726,363	\$ 10,726,363	
Initial Draw	15%	2,611,565	80,286	2,691,851	(2,691,851)	-	10,726,363	
3 Months	5%	870,522	26,762	897,284	(897,284)	-	10,726,363	-
5 Months	20%	4,522,692	118,559	4,641,251	(4,641,251)	-	10,726,363	-
7 Months	10%	2,087,912	57,361	2,145,273	(2,145,273)	-	10,726,363	-
9 Months	10%	2,087,912	57,361	2,145,273	(350,705)	1,794,568	8,931,795	-
11 Months	10%	2,087,912	57,361	2,145,273	-	2,145,273	6,786,522	22,502
13 Months	10%	2,087,912	57,361	2,145,273	-	2,145,273	4,641,250	49,402
15 Months	10%	2,087,912	57,361	2,145,273	-	2,145,273	2,495,977	76,302
17 Months	5%	1,217,390	30,599	1,247,989	-	1,247,989	1,247,988	103,201
19 Months	5%	1,217,390	30,599	1,247,989	-	1,247,989	-	118,850
Total	100%	\$ 20,879,117	\$ 573,608	\$ 21,452,726	\$ (10,726,363)	\$ 10,726,364	\$ -	\$ 370,257
Debt Funded								10,726,364
Construction Interest								370,257
Construction Loan Balance (Debt Funded plus Construction Interest)								\$ 11,096,620
Construction Loan Payment (Principal Only, Based on 20 Year Amortization, applicable from Months 49-60)								\$ 46,236
Construction Loan Balance (At beginning of Month 61)								10,541,789
Plus: Closing Costs on Permanent Loan (2.0% of Construction Loan Balance)								210,836
Permanent Loan Balance								\$ 10,752,625
Permanent Loan Payment (Principal Only, Based on 20 Year Amortization, applicable to permanent loan closing in Month 61 and thereafter)								\$ 44,803



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

May 9, 2013

Andrew P. Ballard
c/o Wallace K. Lightsey
Wyche Burgess Freeman & Parham, P.A.
PO Box 728
Greenville, SC 29602-0728

✓ Tim Roberson, Rick Thoennes, Rick Thoennes, III and Warpath Development, Inc.
c/o Joshua Howard
Haynesworth, Sinkler, Boyd, P.A.
PO Box 2048
Greenville, SC 29602

CC: Judge Edward W. Miller
Greenville County Courthouse
305 East North St.
Greenville, SC 29601

RE: Valuation of 20,000 shares or a 20% in Warpath Development, Inc.

Dixon Hughes Goodman LLP estimated the fair market value of 20,000 shares or a 20% (the "Subject Interest") in Warpath Development, Inc. (referred to as "WPI" or the "Company") as of December 31, 2012 (the "Valuation Date"). Based on our analysis, described in the Summary Report dated April 29, 2013 ("Report"), we have concluded that a reasonable estimate of the fair market value of 20,000 shares or a 20% in Warpath Development, Inc. as of December 31, 2012 is \$873,000. This conclusion of value is based on the assumption that the development of the WPI project would begin in 2013. The Report is presented expressly and solely to estimate the fair value of the Subject Interest which will be used to determine the dissociating shareholder's (Andrew Ballard) interest as of the Valuation Date. This letter should not be referenced or used in any manner without the Valuation Report dated April 29, 2013.

It is noted that while this analysis was conducted as if 20,000 shares is the equivalent of 20% ownership interest, there is legal dispute over whether 20,000 shares should be counted as 20% or 50% of the total ownership for purposes of valuing his stock in this court ordered buyout [Order of Judge Miller dated May 3, 2010, 2008-CP-232-5739]. I take no position on this legal issue and assumed for purposes of this analysis that Mr. Ballard's stock be counted as 20% of the total ownership.

It is my understanding that there is a legal issue regarding the start date of the Warpath Development. If financing and construction had begun in July of 2010, as of December 31, 2012, the construction for both phases would be completed, phase I net operating income would be at approximately 90% stabilization, and phase II net operating income would be at approximately 60% stabilization. The equity holders of the company would be 2.5 years closer to both receiving the initial cash flow to equity and the net proceeds of the expected sale of the company. Based on those assumptions, the resulting value of 100% Equity of the Company is \$7,178,594 and the 20% pro rata value would be \$1,436,000.

Warpath Development, Inc.
Discounted Cash Flow to Equity¹
As of December 31, 2012

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Residual Period
Cash Flow							
Net Operating Income	\$2,359,265	\$3,128,269	\$3,190,834	\$3,254,651	\$3,319,744	\$3,386,139	\$3,386,139
Minus: Change in Net Working Capital	(44,789)	(17,405)	(1,505)	(1,535)	(1,565)	(1,597)	(3,162)
Less: Debt Service	(832,247)	(832,247)	(1,368,005)	(1,220,535)	(1,185,589)	(1,150,643)	-
Cash Flow Available for Subordinated Debt	1,482,230	2,278,617	1,821,324	2,032,581	2,132,589	2,233,899	3,382,977
Subordinated Shareholder Debt Service ³	(1,482,230)	(2,278,617)	(1,821,324)	(2,032,581)	(2,132,589)	(1,287,449)	-
Cash Flow to Equity						946,450	3,382,977
Multiplied by the Present Value Factor	0.9515	0.8197	0.6719	0.5507	0.4514	0.3700	
Present Value of Cash Flow Available to Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,186	

Indication of Value:

Sum of Present Value of Cash Flow Available to Equity	\$ 350,186
Present Value of Terminal Value	6,828,408
Indicated Value of Equity	7,178,594
Indicated Equity Value, Prior to Discounts (Rounded)	<u>\$7,179,000</u>

Sale of Property (Net Cash)	
Residual Cash Flow	\$ 3,382,977
Capitalization Rate	11.0%
Gross Proceeds	30,754,333
Less: Selling Costs (4%)	(1,230,173)
Less: Loan Balance End of Year 6	(9,139,731)
Net Cash (Net of Debt)	20,384,428
Present Value Factor	0.3350
Present Value of Net Cash	<u>\$6,828,408</u>

1. Numbers may appear incorrect due to rounding.

2. Article 6 of Stock Purchase Agreement dated May 27, 2007, states "Roberson agrees to provide the necessary capital to obtain long term financing on the project. Ballard, Theunies and Theunies III will not receive any dividend or distribution of profit until all capital contributions of Roberson have been repaid."

Warpath Development, Inc.
Valuation Summary¹
As of December 31, 2012

Indicated Value of Equity	\$ 7,178,594
Pro Rata Value of a 20% Ownership Interest	\$ 1,435,719
Indicated Value of Equity	<u>\$ 1,435,719</u>
Indicated Value of Equity (rounded)	<u>\$ 1,436,000</u>

1. Numbers may appear incorrect due to rounding.

2. Standard of Value is Fair Value. Therefore, no discounts for lack of control or lack of marketability are applied.

Our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective presented in accordance with generally accepted accounting principles.

We appreciate the opportunity to present this attachment to our Report to you and we will be available to discuss it as considered necessary.

Respectfully,



B. Perry Woodside, III, Ph.D.
Dixon Hughes Goodman LLP



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

Judge Edward W. Miller
Greenville County Court House
305 East North Street
Greenville, South Carolina 29601

CC: Wallace K. Lightsey
Wyche Burgess Freeman & Parham, PA
PO Box 728
Greenville, SC 29602-0728

CC: Joshua Howard
Haynesworth Sinkler Boyd, PA
PO Box 2048
Greenville, SC 29601

Re: Andrew P. (Andy) Ballard vs Tim Roberson, Rick Thoennes, Rick Thoennes, III and Warpath Development, Inc.

Dear Judge Miller:

I am writing to offer my responses to Dr. Alford's testimony in Tuesday's hearing to clarify the reasons why the value conclusions are so different. There are several observations concerning the valuation testimony presently before the court that I would like to address.

As it presently stands, the testimony regarding the value of Warpath Development, Inc. assuming (1) development begins December 31, 2012, and (2) the development began in July 2010 is as follows:

<u>December 31, 2012</u>	<u>Woodside Valuation</u>	<u>Alford Valuation</u>
Total Firm Value	\$4,366,564	\$9,268,125
Value of 20% Interest	873,000	1,853,625
 <u>July, 2010</u>	 <u>Woodside Valuation</u>	 <u>Alford Valuation</u>
Total Firm Value	\$7,178,594	\$12,034,969
Value of 20% Interest	1,436,000	2,407,000

The above values are based on the Woodside model in all respects except for the discount rate (required rate of return). The model calculates an equity value for Warpath based on the cash flows that would flow to the equity owners (stockholders) based on construction schedules, projected revenues and operating expenses and debt service. The projected cash flows are discounted to present value at the respective discount rates. Woodside used 22% and Alford used 11.01%. The Woodside rate of return was based on a commonly-used build-up method in conjunction with information obtained from market participants (lenders, owner/operators and developers of marinas) regarding loan-to-value ratios and required rates of return. The build-up method, as was described in court and contained in the Woodside report, consists of four components as follows:

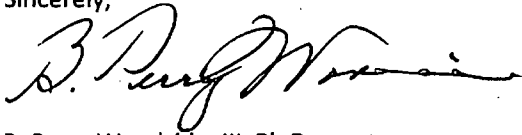
(1) Risk Free Rate	2.5%
(2) Equity Risk Premium	6.7%
(3) Size Premium	6.0%
(4) Company Specific Risk Premium	<u>7.0%</u>
Equity Required Rate of Return	22.2% (22% rounded)

Data for the determination of items (2) and (3) are based on returns from publically traded companies traded on the New York Stock Exchange, Amex, and Nasdaq. Thus, the required rate of return for small-capitalization publically traded companies is 15.2%. The company specific risk premium is added to 15.2% to reflect the added return that an investor would require for an investment in an un-built marina/resort on Lake Keowee as opposed to small but publically traded operating companies. The companies included in the data base used for the size premium are operating companies that are large and profitable enough to meet the listing requirements for the exchanges where they are traded. The 11.01% discount rate used in the Alford valuation is less than the small-capitalization stock rate of return of 15.2%. It is critical to understand that the value of Warpath stock (or any stock) is based on residual cash flows after debt service. The residual cash flows to equity holders are significantly riskier than cash flows paid to debt holders. The risk of construction delays, cost overruns, revenue shortfalls largely fall to the stockholders. The discount rate used in the Alford valuation was derived from debt rates from a potential funding source for Warpath (which additionally required that the Warpath shareholders relinquish control of the ownership of Warpath). I do not believe that

the 11.01% assumed to be the required rate of return in the Alford valuation adequately reflect the risks that would be borne by the Warpath equity owners.

I would like to emphasize that I made every effort to provide the court with a thorough, objective value conclusion.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Perry Woodside, III". The signature is fluid and cursive, with a long horizontal stroke at the end.

B. Perry Woodside, III, Ph.D.

Charles L. Alford, Ph.D.
Overlook Executive Park
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August 15, 2013

Judge Edward W. Miller
Greenville County Court House
305 East North St.
Greenville, SC 29601

Re: Warpath Development, Inc.

Dear Judge Miller:

I have read Dr. Woodside's letter to you in which he offers responses to my testimony in this case, and I respectfully submit this reply.

When I first received Dr. Woodside's report, I read it in detail, checked some of the sources, and replicated every step of the mathematical model. And as I had expected, I found very little in the analysis with which I disagreed, and nothing substantive. I concluded right away that the two salient issues were the forecast that had been provided to him by Warpath management and the discount rate which was applicable during the development period prior to the ultimate sale of the project.

Regarding the operating forecast, Dr. Woodside indicated in his report that he had reviewed more than one projection that had been provided by Warpath to prospective investors, that the projection to Dakota Holdings was the most recent, and that it was consistent with previous projections. Additionally, he testified that Mr. Ballard had no basis on which to provide him with any of his own projections. I am sure that under those circumstances, I would have used essentially the same basic cash flow projection that Dr. Woodside used, and therefore the issue of the projection was set aside in my consideration of his work – there appeared to be no alternative projection that should have been used.

The only remaining issue then was the discount rate. Both my knowledge and some reading about the industry confirmed that the required return on equity identified by Dr. Woodside was reasonable. There is no doubt that if I had independently applied the build-up approach, I would have arrived at essentially the same value. The only difference would have been in the subjective assignment of the company-specific risk premium, but even with that variable I would not have differed from Dr. Woodside by more than a couple of percentage points (in either direction) so I would still have arrived at a required return on equity in the 20% - 25% range.

Therefore with no other information I generally agreed with the conclusion reached by Dr. Woodside.

But then, more than a month after I did my preliminary review, I received a copy of the Dakota Holdings *Conditional Loan Commitment*, stating terms as of December 18, 2012. I believed then, and still believe, that this document is highly relevant in a consideration of value. According to the Woodside report, Warpath had sought financing from Dakota Holdings a few months prior to the valuation date and Dakota Holdings appears to have issued two proposals, though I have seen only the one with "restated" terms as of December 18, 2012 (within two weeks of the valuation date). A letter of intent dated December 11, 2012 is also included with the commitment document. *So then I had a document expressing the interest of a real, identifiable investor within two weeks of the valuation date.*

I understand that in a *fair value* determination the Court is not bound by the determination of *fair market value* which should be based on consideration of a *hypothetical* buyer and seller. (For example, in his report [p. 21] Dr. Woodside defines the discount rate as "a hypothetical buyer's required rate of return to invest in common equity capital of the company.") But in fact in this case there is a real, identifiable seller and a real, identifiable prospective buyer. It seems to me that the final test of reasonableness of a conclusion of value must include a comparison with the Dakota Holdings offer.

If the terms of the Dakota Holdings proposal had been a single front-end cash payment for a 50% ownership interest in Warpath, the issue would have been simple. That offer would have established the value in the eyes of an objective third-party investor, and this benchmark fair value could be applied, without discounting, in determining the value of the Ballard holding. If that benchmark value were not substantially different from the appraisal value, it would tend to confirm the appraisal value. If the offer were substantially different, it would bring the appraisal value into question.

Unfortunately, The Dakota Holdings proposal is not comprised of a single front-end payment. Instead, it calls for a series of cash infusions over time, a portion of which will be loans to the entity and the remainder will be investment in preferred stock, convertible upon the ultimate sale of the entity. Perhaps just as unfortunately, only one document regarding the Dakota Holdings prospective investment has been made available. I requested additional documentation, and I am informed that counsel relayed that request, but nothing further was provided. (There was at least one other document because the terms were originally stated on December 11 and then restated on December 18.)

In my view, however, the complexity of the proposed Dakota Holdings terms doesn't negate the usefulness of its offer in assessing the value perceived by an objective, third party investor; it just makes analysis more difficult and less direct. I recognize that the structure of the Dakota Holdings proposal was designed to provide some hedge against risk, and I testified to that fact. But ultimately its hedge was only in the form of earlier returns. The loan was to be secured only by the property. Except for earlier returns in the form of interest and preferred stock dividends, both of which are reflected in my computations, Dakota Holdings' investment returns depended on the ultimate success of the project.

In the final analysis, I determined that based on the Warpath management projection and the terms of the Dakota Holdings commitment, the maximum total return that Dakota

Holdings could have realized on the project from the onset of its participation until the ultimate sale of the property was 11.01%.

This is the point at which I departed from Dr. Woodside's opinion. It seems to me that the value of the Ballard share, or values of shares of any of the other owners, should not be tied to what an unknown hypothetical purchaser may pay, or even what the current owners would themselves pay, but what a real, identifiable purchaser has offered to pay for currently available shares of the stock. In his letter to you, Dr. Woodside indicates that he does "not believe that the 11.01% assumed to be the required rate of return in the Alford valuation adequately reflect [sic] the risk that would be borne by the Warpath equity owners." I of course argue that Dakota Holdings' proposal was that Dakota Holdings would become a Warpath equity owner, so whether or not one's opinion is that the 11.01% return adequately reflects the risk borne by equity owners, it is in fact the total return that the Dakota Holdings proposal would yield to Dakota Holdings as an equity owner, given the Warpath management projection. (As explained below, the 11.01% return is a total return and the return to Dakota Holdings' equity investment can be considerably higher.)

The question remains as to how or why Dakota Holdings would enter a project with a maximum prospective return of only 11.01%. I testified that I could identify only three possible reasons. The first possible reason is that Dakota Holdings would be satisfied with at most an 11.01% return on equity. I doubt that is the case, and I testified accordingly. The second possible reason is that Dakota Holdings actually expects much better performance than that which is reflected in the projection provided to Dr. Woodside. (For Dakota Holdings to realize greater than a 20% return on an unleveraged equity investment, the stabilized net operating income of the venture in year eight would have to be about three times as great as that shown in the projection.) While this is possible, I am unaware of any evidence that this may have been the case. The third possible reason is that Dakota Holdings would have itself leveraged its own investment into Warpath, so that, while the total return on the project would have been at most 11.01%, the return on Dakota Holdings' capital, after meeting its own debt service requirements, would have been higher.

I have enclosed a very simple example showing how a leveraged investment on a one-year project that yields an 11% total return on funds invested can generate a much higher return (23% in the example) on equity invested after debt service payment of principal and interest. While the example that I have shown is oversimplified, the basic principle still applies. Regardless of the extent of leveraging or the cost of debt, if an investment is partly financed with borrowed funds, and if the cost of the debt is less than the total return of the investment, the return on equity will be greater than the total return on the project.

It is critical to note that from a seller's perspective, application of a buyer's offer as a valuation benchmark is not at all affected by whether the buyer will leverage his purchase. Using the example cited by Dr. Woodside in his testimony, if an apartment complex is sold based on a capitalization rate of 10%, then its market value is established based on that rate. It wouldn't be consistent to say that while a buyer is willing to pay 10 times the cash flow (1 / .10 capitalization rate), the asset is really worth only about half that amount.

Judge Miller
August 15, 2013; page 4

Dakota Holdings' proposal is based on acquisition of an ultimate 50% ownership interest in Warpath. I understand that the valuation issue before the Court in this case is one of fair value and that consideration of minority interest discount does not apply. It seems inconsistent to me that a valuation of Mr. Ballard's interest would be based on a return to a hypothetical buyer of 22% while the valuation of a 50% interest in the entity, as evidenced by the proposal of Dakota Holdings, is based on a return of at most 11.01%.

My opinion regarding fair value remains the same.

Thank you for your indulgence.

Respectfully,



Charles L. Alford, Ph.D.

CLA/pc

Enclosure

c: Joshua Howard ✓
Wallace Lightsey

Return on Equity in a One-year Leveraged Investment

	Total value of the project	\$ 1,000.00	100.00%	
	Equity investment	\$ 250.00	25.00%	
plus	Funds borrowed	<u>750.00</u>	<u>75.00%</u>	
	Total funds invested	\$ 1,000.00	100.00%	
	Profit before principal and interest payment	\$ 110.00	11.00%	(\$110 cash flow before debt service / \$1,000 total investment)
plus	Return of total funds invested	<u>1,000.00</u>		
	Gross funds returned (initial investment + profit)	\$ 1,110.00		
minus	debt principal repayment	(750.00)		
minus	Interest payment @ 7% of funds borrowed	<u>(52.50)</u>		
	Net funds available to equity investor	\$ 307.50		
	minus Equity investment	<u>(250.00)</u>		
	Profit to equity investor	\$ 57.50	23.00%	(\$57.50 return to equity investor / \$250 capital invested)

From: Miller, Edward W. Law Clerk (Courtney S. Camferdam) <emillerlc@sccourts.org>
Sent: Wednesday, September 25, 2013 12:56 PM
To: Howard, Joshua; Wallace K. Lightsey (wlightsey@wyche.com)
Subject: Andrew Ballard vs. Tim Roberson, et al. (Warpath Development) 2008-CP-23-5739

Dear All,

Judge Miller would appreciate it if Mr. Lightsey would prepare an order in the above referenced case regarding the valuation. Judge Miller would request in the order that Dr. Woodside's valuation from July, 2010 stating Total Firm Value as \$7,178,594 be used. He would like to set a valuation of plaintiff's shares as 50% of that value. Therefore, \$3,589,297 if my calculation is correct (please check). He would like to give the defendants 90 days to pay the amount ordered. Thanks for your help and let me know if you have any questions.

Best,

Courtney Camferdam
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IN THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Edward W. Miller, Circuit Court Judge

Case No. 2008-CP-23-05739

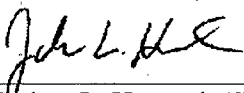
Andrew P. (Andy) Ballard, ... Respondent,

v.

Tim Roberson, Rick Thoennes, Rick Thoennes III,
and Warpath Development, Inc. Appellants.

CERTIFICATE OF COUNSEL

The undersigned hereby certifies that the Record on Appeal contains all material
proposed to be included by any of the parties and not any other material.


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November 10, 2014