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September 11, 2012

Holly Henry Perry, Clerk of Superior Court  
Rabun County Clerk of Court  
25 Courthouse Square, Suite 105  
Clayton, GA 30525

via Federal Express

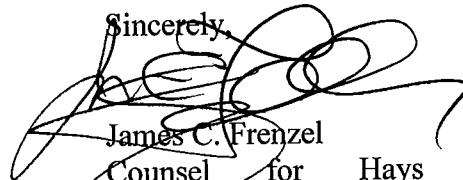
Re: *United Community Bank ("UCB") v. SELAF Waterfall Development Co., et al; Case No. 2012-CV-0315-S (the "Civil Action"), Rabun County Superior Court (the "Court"); Hays Financial Consulting, LLC, Receiver (the "Receiver") for Lake Burton Club (the "Receivership")*

Dear Ms. Perry:

Enclosed herewith are the original and one copy of the First Interim Report (the "Report") of the Receiver appointed for the assets of the Defendants in the pending Receivership. Please file the original of the Report for the consideration of the Court in the Civil Action and return the copy of the Report indicating filing confirmation to the undersigned in the enclosed self addressed and stamped envelope.

Thank you for your consideration and assistance. Please call if there are any questions.

Sincerely,



James C. Frenzel  
Counsel for Hays Financial  
Consulting, LLC, Receiver for  
SELAF, et al., Defendants

Cc (via email): Mr. Henry P. Lorber  
Paul G. Durdaller, Esq.  
R. Terry Carroll, II, Esq.  
Mindy C. Waitsman, Esq.

IN THE SUPERIOR COURT OF RABUN COUNTY  
STATE OF GEORGIA

UNITED COMMUNITY BANK,

Plaintiff,

v.

SELAF WATERFALL DEVELOPMENT CO.,  
LLC, SELAF WATERFALL COUNTRY CLUB,  
LLC, SELAF WATERFALL WATER AND  
SEWER, LLC, and SELAF WATERFALL  
HOLDING CO., LLC,

Defendants

Civil Action  
File No. 2012-CV-0315-S

**FIRST INTERIM REPORT OF THE RECEIVER**

This First Interim Report (the "Report") of Hays Financial Consulting, LLC, the Receiver (the "Receiver") for the Property of the Defendants appointed pursuant to an Order of this Court of August 1, 2012 (the "Appointment Order") is intended to provide preliminary information regarding the property, assets, and operations of the Defendants known as the Lake Burton Club ("LBC" and, collectively hereinafter, the "Receivership Estate") and will specifically provide: a) background information; b) a summary of the activities of the Receiver as of August 31, 2012; c) a summary of a preliminary accounting of funds prepared by the Receiver as of August 31, 2012, as required by the Appointment Order; d) information regarding certain delays encountered by the Receiver; e) an overview and preliminary inventory of the assets of the Receivership Estate; and f) information regarding certain future activities to be undertaken by the Receiver in the furtherance of its duties pursuant to the Appointment Order .

Since the investigation of the Receiver is not complete, this Report contains a preliminary assessment and is based upon facts currently known to the Receiver. As additional

facts are discovered, the information set forth herein may be determined to be incorrect or, more likely, incomplete and will be corrected and updated in subsequent reports filed or distributed by the Receiver.

#### Takeover

Simultaneously with the filing of the Appointment Order, the Receiver held a meeting with senior staff of the LBC to discuss the transition to and the ongoing management of the property during the pendency of the Receivership. The Reynolds and SELAF staffs have been helpful and cooperative as the Receiver took control of the Property and assets identified in the Appointment Order.

#### Staffing/Payroll

At the time of the entry of the Appointment Order, there were approximately 55 employees on site. All of these employees were actually employees of the Reynolds Companies, not the property nor the various SELAF entities involved in the LBC development.

The Receiver immediately began the process of transferring the responsibility for these employees from Reynolds to the Receivership. Meetings were held with the existing payroll service provider (ADP) and the transfer of responsibility was effected as of 8/30/2012. This transfer included the transfer of health insurance to a COBRA format with the Receivership funding the cost of the insurance in the same fashion as Reynolds had previously done. The changes effected were the termination of the 401K plan (which included coverage for 6 employees), and termination of the disability plans and life insurance plan. A meeting was held with employees on August 22 and these changes were announced to the staff with little controversy.

### Insurance

All insurance policies for the property expired on 8/1/2012. The Receiver immediately arranged for substitute insurance policies to be issued therefore eliminating any gap in coverage. This included property and casualty, liability and workers compensation insurance.

### Accounting

At the time of the Appointment Order, effectively all of the accounting for this property was performed off site by Reynolds staff. By definition, the accounting functions and services, which they provided to the LBC development were not available to the Receiver. Additionally, the accounting was spread among various SELAF entities, which made the reconstruction of the financial information time consuming and complicated.

In reviewing the Reynolds general ledger system, the Receiver realized that the rights to the system that was being used were licensed to the Reynolds entities directly and were therefore not available to the Receivership.

The Receiver immediately had to establish new accounting, payroll, accounts payable and cash management processes. To accommodate the reporting information that was being provided, the Receiver elected to establish a completely new accounting system on Peachtree Software rather than spend considerably more to purchase a license from the existing software provider at a cost significantly greater than the transition to an existing Hays Financial Consulting ("HFC") system.

The Receiver obtained samples of the information being generated by SELAF internal systems to test the ability to convert from the Reynolds' systems to Peachtree Software. Once the Receiver was comfortable that this information could be transferred, historical and current

information related to vendors and employee personnel was extracted from Reynolds and converted into the new general ledger maintained by HFC.

New bank accounts were opened to handle the payroll, payables and general obligations of the Receivership. New checks, bank resolutions and signature card for all accounts were prepared for the new responsibilities as the Receiver worked through numerous vendor issues regarding nonpayment and late payments. These issues all mandated the proper documentation and review in order to authenticate payments.

All of this required the staff of the Receiver to recreate accounting processes and balance sheets for two entities and institute operating statement control. The operating statement for the month of August is an attachment to this report.

During this period, the Receiver requested and received \$200,000 in funding from the lender.

#### Operations and Inventory of Assets

The assets of the Receivership Estate include, but are not limited to, a wastewater and drinking water plant, a full service 18 hole golf course, a 43,754 sq. ft. Athletic Center containing a junior size Olympic swimming pool, sauna, steam room and workout area. This center also includes a golf pro shop, golf cart maintenance facility, and small dining area and kitchen. A full service day spa, 2 indoor tennis courts (14,360 sq. ft.) and membership and real estate sales center are housed in this facility. The separate 18,000 sq. ft. Lodge includes office space, a day care center, a formal dining room, and the service areas required to support the Lodge.

There are numerous miscellaneous assets required to operate and maintain the golf and food service portions of Lake Burton Club, which have been inventoried by the staff at the direction of the Receiver.

There is an agreement, which permits access to a dock on Lake Burton for the SELAF entities and, therefore, the members of the LBC. The Receiver was confronted with an attempt by the owner of the dock to terminate the agreement and significantly revise the terms of the existing agreement. In coordination with his counsel, the Receiver advised the owner of the dock that his attempt to terminate the agreement violated the court order which established the Receivership and the terms of agreement itself, and the Receiver continues to maintain current payments with regard to the dock.

The Receiver interviewed employees of various SELAF and Reynolds entities to obtain information relevant to the Receivership Estate and the operation of the entities. The Receiver initiated the review and analysis of documents produced for or located by the Receivership Professionals related to the Receivership Estate including, but not limited to, accounts payable registers, deferred maintenance schedules, physical plant repairs, golf course maintenance requirements and schedules, the off-season staffing requirements, and permits, leases, and contractual agreements in existence.

The permit to operate the Wastewater Treatment Plant is slated to expire December 31, 2012, and there is no backup system to allow for disposal of waste products. The Receiver has begun the process of the lender and the operator (Piedmont Water Company) applying for a new permit in the name of SELAF Waterfall Water and Sewer, LLC. The Receiver has been informed that this is in process with the Lender agreeing to act as the trustee as required by state regulations.

The Receiver initiated the preparation of departmental budgets for the following 30, 60 and 90 day periods after Receivership began. These budgets are under review at the present time.

Waterfall Property Owners Association, Inc. (the "POA")

The Receiver has been contacted by a number of POA board members and their counsel. A meeting has been held at the offices of HFC with counsel for the POA and certain board members to discuss issues of mutual interest.

The Receiver has been made aware of an outstanding agreement between the POA and SELAF to fund a study concerning potential movement of a certain portion of the SELAF property, which purportedly endangers certain of the homes of POA members. Receivership staff is in the process of evaluating the severity and impact of this situation.

In addition, the POA pays a number of monthly expenses of the operation of the Property and the Receiver on behalf of SELAF continues to reimburse the POA for a portion of those expenses.

The POA expressed a concern regarding the conditions of the roads within the project. A Distressed Pavement Evaluation report dated March 21, 2011 was presented by the counsel for the POA. Receivership staff has reviewed the report and intends to discuss the concerns with the engineering firm of Willmer Engineering, Inc., authors of the report.

Certain other construction defects have been called to the attention of the Receiver and are being investigated.

Counsel

The Receiver has engaged the firm of James Frenzel, P.C. to act as counsel for the Receiver and the law firm has been actively engaged in document and claim review.

### Expenses of the Receiver

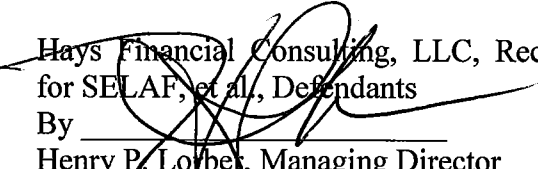
As of August 31, 2012, the Receivership Estate has incurred and paid fees and expenses of the administration of the Receivership Estate in the amount of \$238,518.00 and the Receiver intends to seek authority to pay the fees and expenses of the Receivership Professionals pursuant to the Appointment Order in the immediate future.

### Future, Anticipated Activities of the Receiver

The Receiver presently intends to:

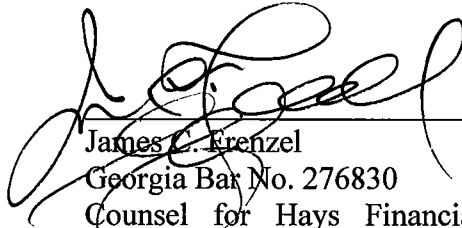
- a) Determine the feasibility of reducing operations and expenses during the upcoming Fall season;
- b) Conduct an open meeting with members of the LBC and the POA this Fall to answer questions or concerns regarding the continued operation of the Lake Burton Club during the course of the Receivership;
- c) Assess the feasibility, requirement for, and cost of repairs and maintenance that may be necessary with regard to the safety and operation of the Property; and
- d) Continue in the performance of the duties of the Receiver pursuant to the Appointment Order entered by this Court.

Respectfully submitted, this the 11<sup>th</sup> day of September, 2012.

Hays Financial Consulting, LLC, Receiver  
for SELAF, et al., Defendants  
By   
Henry P. Lorber, Managing Director

Hays Financial Consulting, LLC  
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(404) 926-0056  
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James C. Frenzel

Georgia Bar No. 276830

Counsel for Hays Financial Consulting,  
LLC, Receiver for SELAF, et al.,  
Defendants

Of Counsel:

James C. Frenzel, P.C.

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SELAF Waterfall Country Club, LLC in Receivership  
Income Statement Summary  
For the Month Ending August 31, 2012

Revenues	
Pro Shop	\$ 30,042.43
Spa	583.94
Food & Beverage	66,942.86
Admin	<u>861.11</u>
Total Revenues	<u>98,430.34</u>
Cost of Sales	
COS - Pro Shop	5,219.11
COS - Food & Beverage	<u>24,146.19</u>
Total Cost of Sales	<u>29,365.30</u>
Gross Profit	<u>69,065.04</u>
Expenses	
Pro Shop	23,682.32
Golf Course Maintenance	90,670.71
Memberships	5,627.09
Spa	8,348.97
Food & Beverage	48,950.93
Administrative	<u>42,193.67</u>
Total Expenses	<u>219,473.69</u>
Net Income/(Loss)	<u><u>(\$ 150,408.65)</u></u>

*Note: Depreciation expense is not included in these statements.*

SELAF Waterfall Country Club, LLC in Receivership  
Income Statement - Pro Shop  
For the Month Ending August 31, 2012

Revenues	
Green Fees	\$ 11,472.50
Tournament Fees	1,294.32
Cart Fees	11,268.00
Club Rental	210.00
Club Repair	20.00
Merchandise	5,972.53
Lessons	55.00
Member Discounts	(249.92)
	<hr/>
Total Revenues	30,042.43
	<hr/>
Cost of Sales	
COS - Merchandise	(402.53)
COS - Soft Goods	2,124.69
COS - Hard Goods	318.61
COS - Balls	3,178.34
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Total Cost of Sales	5,219.11
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Gross Profit	24,823.32
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Expenses	
Salaries & Wages	15,549.10
Payroll Taxes	1,469.79
Employee Benefits - Hlth Insrnc	359.12
Employee Benefits - Dntl Insrnc	(13.73)
Employee Benefits - Wrkr's Cmp	453.40
Employee Benefits - Othr Insrnc	(35.17)
Employ Benfts - 401(k) ER Mtch	146.64
Electric	682.64
Utilities-Cable	35.14
Uniforms	53.50
Tournament Fees	1,653.17
Equipment Lease	2,836.40
Member Relations	310.74
Employee Meals	181.58
Golf Rounds	595.00
Golf Rounds - Contra	(595.00)
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Total Expenses	23,682.32
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Net Income	\$ 1,141.00
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SELAF Waterfall Country Club, LLC in Receivership  
Income Statement - Golf Course Maintenance  
For the Month Ending August 31, 2012

Revenues	
Total Revenues	0.00
Cost of Sales	
Total Cost of Sales	0.00
Gross Profit	0.00
Expenses	
Salaries & Wages	\$ 39,621.44
Payroll Taxes	3,124.23
Employee Benefits - Hlth Insrnc	4,343.78
Employee Benefits - Dntl Insrnc	(124.86)
Employ Benefits - Lif & Disblty	(45.44)
Employee Benefits - Wrkr's Cmp	770.78
Employee Benefits - Othr Insrnc	(62.08)
Employ Benfts - 401(k) ER Mtch	279.78
Training & Development	340.00
Vehicle Expense	880.00
Cell Phones/PDA	245.37
Electric	5,213.47
Trash Removal	247.18
Cleaning Service	23.24
Cleaning Supplies	370.65
Property Maintenance	982.35
Chemicals	5,712.81
Fertilizers	4,827.40
R&M - Irrigation	1,909.35
Small Tools	164.22
Gas & Oil	4,106.60
Office Supplies	212.93
R&M - Equipment	2,923.41
R&M - Other	243.86
Equipment Lease	14,360.24
Total Expenses	90,670.71
Net Income	\$ (90,670.71)

SELAF Waterfall Country Club, LLC in Receivership  
Income Statement - Memberships  
For the Month Ending August 31, 2012

Revenues	
Total Revenues	<u>0.00</u>
Cost of Sales	
Total Cost of Sales	<u>0.00</u>
Gross Profit	<u>0.00</u>
Expenses	
SALARIES & WAGES	\$ 3,252.89
Payroll Taxes	211.38
Employee Benefits - Hlth Insrnc	914.96
Employee Benefits - Dntl Insrnc	(49.59)
Employee Benefits - Wrkr's Cmp	45.34
Employ Benfts - 401(k) ER Mtch	65.07
CELL PHONES/ PDA	239.00
EQUIPMENT LEASE	129.50
MEMBER RELATIONS	766.13
MEMBERSHIP SALES PROSPECT	<u>52.41</u>
Total Expenses	<u>5,627.09</u>
Net Income	<u><u>\$ (5,627.09)</u></u>

## SELAF Waterfall Country Club, LLC in Receivership

## Income Statement - Spa

For the Month Ending August 31, 2012

Revenues	
DISCOUNTS	\$ (56.06)
SPA SERVICES	240.00
ACTIVITIES	240.00
SPA CONTRACTOR INCOME	160.00
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Total Revenues	583.94
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Cost of Sales	
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Total Cost of Sales	0.00
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Gross Profit	583.94
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Expenses	
SALARIES & WAGES	2,973.24
Payroll Taxes	233.46
Employee Benefits - Hlth Insrnc	359.12
Employee Benefits - Dntl Insrnc	(13.73)
Employee Benefits - Wrkr's Cmp	90.68
Employ Benfts - 401(k) ER Mtch	39.54
OUTSIDE SERVICES	160.00
ELECTRIC	3,742.48
UTILITIES - CABLE	70.29
LOCKER ROOM SUPPLIES	644.18
CHEMICALS	29.35
R&M EQUIPMENT	20.36
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Total Expenses	8,348.97
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Net Income	\$ (7,765.03)
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SELAF Waterfall Country Club, LLC in Receivership  
Income Statement - Food & Beverage  
For the Month Ending August 31, 2012

Revenues	
MEMBER DISCOUNTS	\$ (1,055.58)
FOOD	34,959.87
BEER	2,338.00
WINE	13,650.49
LIQUOR	7,940.00
ROOM RENTAL	5,300.00
SERVICE CHARGE INCOME	3,810.08
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Total Revenues	66,942.86
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Cost of Sales	
COS - FOOD	15,812.28
COS - BEER	1,112.54
COS - WINE	4,897.31
COS - LIQUOR	2,324.06
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Total Cost of Sales	24,146.19
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Gross Profit	42,796.67
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Expenses	
SALARIES & WAGES	27,287.15
Payroll Taxes	2,846.48
Employee Benefits - Hlth Insrnc	3,266.41
Employee Benefits - Dntl Insrnc	(97.27)
Employee Benefits - Wrkr's Cmp	770.78
Employee Benefits - Othr Insrnc	(9.28)
Employ Benfts - 401(k) ER Mtch	60.51
OUTSIDE SERVICES	483.75
CELL PHONES/ PDA	319.35
ELECTRIC	3,145.92
UTILITIES - CABLE	335.91
TRASH REMOVAL	247.18
UTILITIES - GAS	690.38
CLEANING SUPPLIES	1,863.95
UNIFORMS	33.80
LINENS AND LAUNDRY	887.72
RESTAURANT SUPPLIES	247.01
KITCHEN SUPPLIES	677.69
PAPER PRODUCTS	463.69
MISC. OFFICE EXPENSE	15.04
R&M EQUIPMENT	218.55
R&M OTHER	980.00
EQUIPMENT LEASE	3,691.21
EMPLOYEE MEALS	425.00
TAXES & LICENSES - OTHER	100.00
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Total Expenses	48,950.93
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Net Income	\$ (6,154.26)
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SELAF Waterfall Country Club, LLC in Receivership  
Income Statement - Admin  
For the Month Ending August 31, 2012

Revenues	
LATE CHARGES (DUES)	\$ 861.11
Total Revenues	861.11
Cost of Sales	
Total Cost of Sales	0.00
Gross Profit	861.11
Expenses	
SALARIES & WAGES	22,473.21
BONUSES	0.00
Payroll Taxes	1,723.99
EMPLOYEE BENEFIT RATE	0.00
Employee Benefits - Hlth Insrnc	2,385.92
Employee Benefits - Dntl Insrnc	(105.38)
Employ Benefits - Lif & Disblty	(76.40)
Employee Benefits - Wrkr's Cmp	362.52
Employee Benefits - Othr Insrnc	(26.88)
Employ Benfts - 401(k) ER Mch	105.12
OUTSIDE SERVICES	0.00
TRAINING & DEVELOPMENT	0.00
RECRUITING	0.00
EMPLOYEE RELOCATION EXP	0.00
TRAVEL & LODGING	0.00
MEALS & ENTERTAINMENT	0.00
VEHICLE EXPENSE	1,100.00
LEGAL FEES	237.00
ACCOUNTING & TAX	0.00
CONSULTANTS	0.00
PUBLIC RELATIONS	0.00
RENT	1,250.00
TELEPHONE	1,260.94
CELL PHONES/ PDA	393.48
INTERNET	194.98
WATER/SEWER	583.32
ELECTRIC	1,591.42
UTILITIES - CABLE	75.19
UTILITIES - GAS	0.00
SECURITY	(210.00)
LANDSCAPING	1,235.85
CLEANING SUPPLIES	80.40
PROPERTY MAINTENANCE	0.00



HOA DUES/FEES	940.04
PEST CONTROL	0.00
UNIFORMS	0.00
OFFICE SUPPLIES	105.06
MISC. SUPPLIES	0.00
OFFICE EQUIPMENT	804.58
POSTAGE & FREIGHT	13.66
COMPUTER SUPPORT & SUPPLIES	998.11
PRINTING	717.51
R&M EQUIPMENT	770.29
R&M OTHER	554.96
R&M - GENERAL	0.00
EQUIPMENT LEASE	161.23
EMPLOYEE MEALS	0.00
DUES & SUBSCRIPTIONS	0.00
DIRECT MAIL	0.00
MEDIA	0.00
SPECIAL EVENTS	0.00
VIDEO/PHOTOGRAPHY	0.00
MAINT. CONTRACTS - HARDWARE	0.00
SAFETY PROGRAMS	0.00
MANAGEMENT FEE EXPENSE	0.00
INTEREST EXPENSE	411.34
Other Lease Fees	172.75
BANK SERVICE CHARGES	356.97
CREDIT CARD CHARGES	274.45
INSURANCE	1,391.00
TAXES	<u>(112.96)</u>
Total Expenses	<u>42,193.67</u>
Net Income	<u><u>(\$ 41,332.56)</u></u>