

IN THE SUPERIOR COURT OF RABUN COUNTY
STATE OF GEORGIA

UNITED COMMUNITY BANK,

Plaintiff,

Civil Action

File No. 2012-CV-0315-S

v.

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

Defendants

Third Report of the Receiver

Hays Financial Consulting, LLC, the Receiver (the "Receiver") for the property of the Defendants hereby files this Third Report of the Receiver (the "Report") in order to provide information regarding the property, assets, and operations of the Defendants known as the Lake Burton Club ("LBC" and, collectively hereinafter, the "Receivership Estate"). The Receiver was appointed pursuant to an Order of this Court on August 1, 2012 (the "Appointment Order"). This Report will provide summaries of the staffing and payroll issues, a description of the status of insurance matters and a summary of the activities of the Receiver as of October 31, 2012. An accounting for funds prepared by the Receiver as of October 31, 2012, required by the Appointment Order is also attached.

Since the actions of the Receiver are still ongoing, this Report 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.

Staffing/Payroll

At the time of the entry of the Appointment Order, there were approximately 55 employees; as of October 31st LBC had 44 employees; as of the date of this report, LBC had 22 employees. Existing management has been retained and has performed well during the receivership.

Insurance

The Receiver arranged insurance policies remain in place and loss payees have been notified of the new coverage. These policies included property and casualty, liability, and worker compensation insurance. There have been no claims filed since the Receiver was appointed.

Accounting

As of the date of the Receiver's appointment on August 2, 2012, the accounting functions for the club were being performed predominately by Reynolds' personnel at their office in Atlanta. The Receiver transferred the accounting data from the Reynolds' systems in September and has maintained a stand-alone accounting system and all necessary accounting and control reports have been prepared.

The operating statement for the month of October is attached to this report as Exhibit A. During the period, the Receiver requested and received \$ 230,000.00 in funding from United Community Bank (the "Lender").

Continued Funding

United Community Bank has instituted a foreclosure proceeding against the Property with a scheduled sale date of December 4, 2012 (the "Foreclosure Sale"). As of the current date, the Loan has been sold by UCB to a group of purchasers known as the Anzo/Cate Group (the "Note Buyer") and the Receiver has requested additional funding of \$120,000. The new secured creditor has not committed to funding the operations through the Foreclosure Sale as of the date of filing this report.

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 carecenter, a formal dining room, and the service areas required to support the Lodge. The Receiver continues to maintain and monitor the conditions of these assets.

Club Operations

As of the date of this report, the operations have partially closed for the winter season. All operations for the Club were funded by United Community bank through October 31, 2012. However, on November 14, 2012, United Community Bank sold the note.

The Receiver has met with Willmer Engineering, Inc. to review engineering reports produced by the firm in relation to the potential health and safety issues present on the project. The Receiver continues to monitor the property based on these reports.

The Receiver continues to monitor the process of the Lender becoming the "Trustee" for the bond indenture related to the water and sewer treatment plant. The operator of the Water and Waste water treatment plant (Piedmont Water Company) is in the process of applying for a new permit in the name of SELAF Waterfall Water and Sewer, LLC.

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

The Receiver has held several meeting with the POA board members and their counsel to discuss the operations, construction issues, and the sale of the property.

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 to the Receiver by the counsel for the POA and discussed in meeting with the POA. The Receiver continues to monitor the status of the road conditions within the project.

The POA brought other construction defects to the attention of the Receiver and these are presently being investigated.

The Receiver held an open meeting with members of the LBC and the POA and answered questions and addressed concerns regarding the continued operations of the LBC during the receivership.

Counsel

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

Expenses of the Receiver

For the month of October 31, 2012, the Receivership Estate has incurred fees and expenses of the administration of the Receivership Estate in the amount of \$31,573.45. The Receiver intends to seek authority to pay the fees and expenses of the Receivership Professionals pursuant to the Appointment Order in conjunction with filing this report.

Future Anticipated Activities of the Receiver

The Receiver presently intends to:

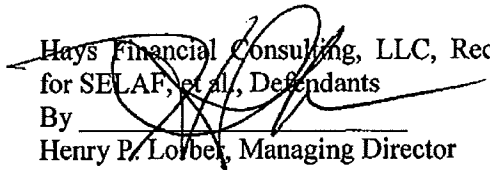
- a) Manage the property through the anticipated date of the Foreclosure Sale of the Property, which is estimated to be December 4th. To do so, the Receiver, will require funding from the Note Buyer and the Receiver has presented a budget to the Note

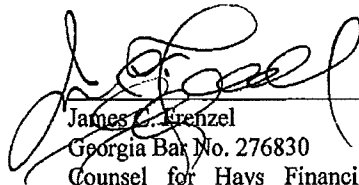
Buyer but funding has not been received;

- b) If the Note Buyer does not provide the funding, the Receiver will file an emergency motion with the court to address issues re the continued operation of the Club. ;
- 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 until the foreclosure sale.

Respectfully submitted, this 19th day of November, 2012.

Hays Financial Consulting, LLC
Atlanta Financial Center
3343 Peachtree Road, N.E. East Tower,
Suite 200
Atlanta, GA 30326-1420
(404) 926-0056 hlorber@haysconsulting.net


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



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.
Atlanta Financial Center
3343 Peachtree Road, NE, Suite 155, East Tower
Atlanta, Georgia 30326
(404) 266-9961
Jcf-bklaw@mindspring.com

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Plaintiff,

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

Defendants

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CERTIFICATE OF SERVICE

This is to certify that I have this day served a true and correct copy of the THIRD REPORT OF THE RECEIVER via electronic transmission and in a sealed envelope by first class mail with postage adequate to insure delivery to:

Mindy C. Waitsman, Esq.
Counsel for the Waterfall Property Owners Association, Inc.
Moore & Reese, LLC
2987 Clairmont Road, Suite 440
Atlanta, Georgia 30329

Mr. Henry Lorber, Receiver
Hays Financial Consulting, LLC
3343 Peachtree Road, NE, Suite 200
Atlanta, GA 30326

Paul G. Durdaller, Esq.
Counsel for United Community Bank
Taylor English Duma LLP
1600 Parkwood Circle, Suite 400
Atlanta, Georgia 30339

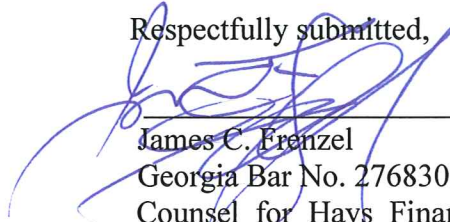
R. Terry Carroll, II, Esq.
Counsel for SELAF Waterfall Development Co., et al.
King & Spalding, LLP
1180 Peachtree Street
Atlanta, GA 30309

Bradley J. Denson
Counsel for Peter Anzo/James Cate Group
Nelson Mullins Riley & Scarborough LLP
201 17th Street NW, Suite 1700
Atlanta, Georgia 30363

Peter D. Anzo, CMM
Vining Marine Group
2839 Paces Ferry Road, Suite 450
Atlanta, GA 30339

This, the 19th day of November, 2012.

Respectfully submitted,



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.
Suite 155, East Tower
Atlanta Financial Center
3343 Peachtree Road, NE
Atlanta, Georgia 30326
(404) 266-9961
Jcf-bklaw@mindspring.com