

DONALD K. ELLIOTT, CPA

A Professional Corporation

August 15, 2003

Big Canoe Property Owners Association, Inc.
Big Canoe, Georgia

Dear Homeowners,

As you may be aware, I was retained by the Property Owners Association in July of this year to investigate a series of allegations concerning financial and managerial wrong doings. My work is now complete and I have submitted my report to the Board of Directors.

In working with owners associations such as Big Canoe for many years, I have seen first hand the "emotional trauma" that can be inflicted on a community, its board of directors and management personnel when such concerns are raised. Please note my role in situations such as these is not to serve as an advocate for any particular group; rather, my role is to, as independently and objectively as possible, examine the issues raised by gathering and reviewing information from a variety of sources. This is what I have attempted to do.

It is my fervent hope this report will start to bring some closure to this matter and, in doing so, will begin the healing process that appears to be needed.

Sincerely,



Donald K. Elliott

August 15, 2003

The Board of Directors
Big Canoe Property Owners Association, Inc.
10586 Big Canoe
Big Canoe, Georgia 30143

Dear Board Members,

As requested, I have recently examined certain events and transactions involving the Big Canoe Property Owners Association, Inc., (the Association). As you are aware, I have had extensive experience in working with community associations. In addition to performing routine audits and tax preparation for hundreds of associations, I have performed numerous specialized engagements for associations, including the reconstruction of events after the misappropriation of funds.

In this instance, various issues had been raised about the appropriateness of certain transactions and events. In a partial response to these concerns, I was retained to examine the following issues as well as make some overall comments about the management and record keeping practices of the Association.

In performing this engagement, I have met or spoken with numerous Association employees, a few former employees, representatives of the Developer, current Board members, and some former Board members. In addition, I have examined numerous paid bills and accounting records of the Association, along with reviewing previous audit reports and tax returns and the reading of several years of minutes from Board Meetings. My findings and resultant recommendations are as follows:

Employee Bonus procedures and the “grossing up” of bonus payments

As has been previously established, the 2002 bonus of the General Manager (as well as other members of senior management) was “grossed up”; that is, the amount approved was increased so as the amount approved was the actual net amount received after taxes.

This is a particularly perplexing issue and has been a difficult area to research. It is important to note I would consider the payroll records of the Association from prior years to be in

a significant state of disarray. These records have obviously recently been repacked in new boxes; in some instances data from one year has been mixed with that of other years. Furthermore it appears the records available were incomplete. (It should be noted when questioned about the state of these records (especially when compared to the nature of accounts payable records), several management employees advised the previous CFO Cary Smith used and repacked these records prior to his departure).

In the way of pertinent history, it appears while bonuses have had a long history at Big Canoe it has only been in recent years the bonuses have significantly increased in size. It does appear that many years ago bonuses were "grossed up", but these bonuses were typically \$100 or \$250 bonuses given at year end which were then "grossed up" for payroll tax purposes.

It appears as though the managerial bonuses for 1997, as approved by the Board, ranged from \$1,500 to, in the case of the General Manager, \$15,000. From the payroll records observed, it does not appear these amounts were "grossed up". I have been unable to locate enough payroll records for 1998 and 1999 to determine what happened. From 2000 through 2002 it appears the managerial bonuses were "grossed up"; this was concluded by reviewing copies of payroll records made by Cary Smith and provided to Jim Deach. (While I have no reason to doubt the integrity of these copies, it should be noted I have been unable to locate the originals of these records). The managerial bonuses were "grossed up" in 2003 (these were the 2002 bonuses that were paid in 2003).

Thus, it is apparent "grossing up" of managerial bonuses has occurred and apparently has occurred for several years. I would urge the Board to review carefully all the components of employee compensation, including bonuses and benefits, as well as the Association's current Human Relations policies and practices, to insure they are equitable and appropriate throughout the Association.

Vehicles, Vehicle usage and IRS reporting

One of the issues raised concerned the employee usage of Association vehicles, vehicle usage and IRS reporting.

Attached as Exhibit A is a listing of the Association's current vehicles as prepared by Management, along with their primary driver (if one) and whether or not the vehicle goes home with the employee. While I have not visually inspected all of these automobiles, what is presented seems reasonable. It also suggests a review of the policies related to use of vehicles and especially which employees are to take vehicles home with them is in order.

Related to the issue of employee use of Association vehicles are the IRS reporting requirements associated with such. This issue has been a previous concern of the Board and in the past the Association's auditors were requested to provide some guidance in this area.

A few comments about the vehicles are in order. It is my understanding most if not all of the Association's vehicles are equipped with two way radios and some of the vehicles are configured where the horn will sound if an emergency signal is broadcast. The intent is for certain employees to take such vehicles home with them, so they can respond to a signaled emergency at the Association at any time, twenty four hours a day, seven days a week. Furthermore, any personal use of Association vehicles is to be "de minimis"; that is, such personal use shall be minimal and essentially immaterial.

It is my understanding the Board reviewed the information provided by the auditors and, after comparing that information with the facts and circumstances unique to the Association, reached the conclusion that since the vehicles that were taken home were done so at the request of the Association for the potential benefit of the Association (so as to respond to emergencies as outlined above), the use of the vehicles was done for the convenience of the employer and therefore were not taxable to the employees. Should those facts and circumstances remain today, I would agree with that conclusion.

The key factor here appears to be: is the taking home of Association vehicles primarily for the Association's benefit or the employee's benefit? If it is primarily for the Association's benefit, no taxable benefit would be created. On the other hand, if it is primarily for the employee's benefit, a taxable benefit would be created for the personal use portion, which should be reported on the employee's W-2. I would urge the Board and Management to be particularly diligent and review this issue carefully now, as well as monitor it carefully in the future, as it is not uncommon for problems to occur in this area.

Gasoline usage

Prior experience has suggested that any time there are private gasoline pumps, control of those pumps can be a problem. As I understand it, there are three sets of gas pumps within the Association; one at the golf cart facility, one at the golf maintenance facility and one at the POA offices near the north gate. The gasoline at the golf cart facility is "off road" gasoline, for which no road tax is collected and is to be used only off road. (Such gasoline is appropriate for the golf carts). That pumping location is configured where it would very difficult to fill a vehicle, effectively limiting its unauthorized usage.

The pumping location at the golf maintenance facility is billed completely to golf maintenance; thus, it is assumed the golf maintenance department head, who is measured in part

by his performance to budget, would have a vested interest in insuring no unauthorized usage occurs.

The pumping location outside the POA offices is allocated to the various departments and appears to be an area where potential abuse could occur. Further complicating this issue is the occasional fill up given to an employee who used their own personal vehicle for Association purposes. This apparently occurs when items are purchased at a warehouse store (such as Sam's or the like) at a significantly reduced price than what the Association can have them delivered for. However, for all the legitimate uses of the gasoline from this pump, it appears the current controls over this gas pump are casual in nature and some abuse could occur. I would recommend the Board review this matter carefully to determine if it feels additional controls are necessary.

Purchase of vehicles

One issue raised was the observation that the bulk of the Association's vehicles are Chevrolets and many have been purchased from Lawson Chevrolet. With one vendor used for so many transactions, the question is naturally raised whether a "cozy" relationship has developed, which could lead to the Association paying more for a vehicle than necessary. In addition, the question could be raised as to whether a "kickback" arrangement may exist between the vendor and an Association employee.

As mentioned later in more detail, it would be preferable to have a formal purchasing process in place. In the area of vehicle acquisitions, it would be desirable to see formal specifications prepared with various dealers submitting proposals. That was not observed in this instance. Furthermore, "kickback" arrangements, by their very nature, are very hard to detect or document.

What I did observe in reviewing the purchase documents for several vehicles is that the Association purchases primarily one to two year old used Chevrolet four wheel drive trucks and Blazers. The purchasing of used vehicles, while at a cost savings to the Association, eliminates the "apples to apples" comparisons brought about by formal competitive bidding. In comparing the prices paid for the vehicles with used vehicle price guides, it was noted they were usually somewhat below typical retail while above typical wholesale. Thus, it would appear the prices paid for the vehicles purchased from Lawson Chevrolet were reasonable. Furthermore, it would seem as though the presence of reasonable prices would greatly reduce the possibility of a "kickback" arrangement.

Some concerns were raised as to why only Chevrolets were purchased. Management noted some Jeeps had been used in the past, but felt the maintenance costs were high. A review

of the actual service tickets for the Jeeps seemed to support this observation. Management has also noted fleet maintenance is easier with similar vehicles and the Blazers are attractively priced.

Storm Clean Up and favored vendors

In the fall of 2002 a portion of the Association was severely damaged by a tornado. The clean up from this tornado has been significant and has yet to be completed.

One of the many challenges in dealing with a natural disaster is coordinating the clean up. Another challenge is accurately estimating the cost prior to completion of the repair. Both of these challenges appear to be present in this case.

Management has advised as of July 31, 2003, the costs incurred to date for storm clean up total \$711,977. This amount does not include \$50,028 to replace and improve the old playground and playground equipment. Furthermore, it does not include any amounts spent by the Federal or State government. This amount should be reduced by \$159,200 that was received from insurance and other contributions and reimbursements. Of the total amount spent, \$315,357 has been spent with one vendor, Tracy Phillips Grading. The clean up is not yet complete.

It is my understanding Mr. Phillips and the General Manager are personal friends. Such arrangements, while not necessarily improper, can be cause for alarm, in that it is conceivable some kind of an arrangement that is not in the best interest of the Association could be created. The Board should be aware Management reports the Association utilized the services of Mr. Phillips' company as follows in recent years: 2003 (January 1 through July 31, excluding storm damage) \$61,170.02, 2002 (excluding storm damage) \$30,603.25, 2001 \$107,048.91 and 2000 \$77,545.14. It would appear Mr. Phillips' company enjoys what I would refer to as "favored vendor" status within the Association.

"Favored vendor" status typically occurs when a strong professional relationship exists between Management and the vendor. This relationship typically takes years to develop and occurs only when there is a high degree of trust between the parties. Management will typically explain their use of such vendors by stating they know from prior experience the work will be done properly and at a reasonable cost. The vendors themselves know if they do not perform properly or if their fee is unreasonable they would be jeopardizing their long standing working relationship. It is not uncommon to see such vendors provide services to their valued customers before that of occasional customers, as was evidenced immediately after the tornado.

While "favored vendor" status is not necessarily bad (and from a Management perspective at times it is desirable), it does carry with it a certain degree of responsibility. In such cases,

Management (as well as the Board) must be certain a “cozy” relationship does not develop where the Association ends up overpaying or accepting inferior or inefficient services.

In this instance, the billings from this “favored vendor” have been significant. More importantly, it appears the work was entered into without being bid. On the other hand, in the first week or so after the tornado an emergency situation existed where roads had to be cleared and opened and it most likely would not have been in the Association’s best interest to delay the clearing three or four weeks while competitive bids were sought.

It should be noted the storm damage was extensive, as was (and still is) the resulting clean up process. It should also be noted it would be extremely difficult to estimate the amount of time required (which would determine the cost) prior to actually doing the work. It should also be noted heavy rains, as we have had this year, would only aggravate the clean up. The bills from Mr. Phillips have been time based, recorded on a daily basis, as his invoices have historically been, which is typical for his industry. The amounts charged for various pieces of equipment and operators appear to be reasonable.

Another component of this matter is the extent of the clean up. A hundred years ago had a tornado hit the same property, most likely nothing would have been done in regards to clean up. The question is therefore raised as to exactly how much clean up should be done. Should every last root ball or fallen branch be removed? Or only larger trees clearly visible from the road? And are the clean up expectations of the Association being met or has the clean up been greater or less than the Association’s expectations?

In a situation such as this, the Association relies on Management to properly direct the necessary vendors to fulfill the needs and expectations of the Association, which would include insuring the hours billed match the hours worked and that the vendor’s time was used efficiently. The Association has little choice at this point in time but to assume Management fulfilled its duties as it should have.

From a Board oversight issue, I feel it important for at least the Treasurer (if not others) to be aware of who the “favored vendors” are and to exercise additional oversight with such to insure the Association’s best interests are always protected.

Potential conflicts of interest with or between Association Management and/or the Developer

Some comments have been made alluding to a close relationship between the Developer and the General Manager which have implied such a close relationship has served to the detriment

of the Association. Both the Developer and the General Manager deny there are any close relationships or ties, either personally or professionally.

Ledbetter Lake (not lakes) has been an area of great concern. It is my understanding Ledbetter Lake is a real estate project organized by the General Manager, acting as an individual, which consists of approximately 200 acres adjoining Big Canoe. The General Manager's home has been located on a portion of this property for many years. Some of the other investors in the project include a son of the General Manager, two former employees of the Developer and a current employee of the Developer.

Various concerns have been expressed about this project. One of these concerns involves the possibility of the Developer of Big Canoe planning to acquire this property. The Developer has assured me they have very limited knowledge of this project and have no plans to acquire this property, although it appears as though the Association's documents would allow them to do so if they desired. Another concern has been has the Association paid for storm damage clean up or for any other services for this project. While I have seen no documentary evidence to suggest either, it should also be noted the storm damage clean up invoices do not specifically detail where the services were provided. It should be further noted according to Mr. Ledbetter and others there was no storm damage to this property. It should also be noted Mr. Ledbetter has advised the only expense generated by the project to date that he recalls was a result of investigating the possibility of creating a conservation easement for part of the property, which was paid by the project, not the Association.

Purchasing, expenditure documentation and other issues

It is apparent the Association operates in a rather casual and informal manner. One area that is of particular concern is that of purchasing. While I have repeatedly heard of (and in some instances seen) efforts made in an attempt to secure the lowest reasonable cost, as well as having seen such efforts supported by actual invoices, a formal purchase order or procurement system apparently does not exist.

Competitive bids were observed in regards to asphalt resurfacing. For 2003, asphalt quotes ranged from \$341,300 to \$432,800, with Steve Watson Trucking bidding \$393,755. (I have attached copies of the original bids received as Exhibit B). While the quotes were being received, the Golf Course indicated its strong desire to have the cart paths resurfaced, stating a portion of them had been damaged as a result of the storm cleanup. They had received a separate bid of \$60,000 to resurface the cart paths. With an approved 2003 capital budget for paving of \$450,000, the General Manager advised he informed Steve Watson he was not the low bidder, the low bidder was significantly less and therefore Steve Watson would not be getting the work, unless he would be interested in including the cart paths. Steve Watson agreed.

The above is interesting and speaks to the efforts expended to get the most value for the Association's money. On the other hand, while I have seen no indicators to suggest it did not occur as described, there does not appear to be any documentation supporting these "additional negotiations".

Thus, I believe it would be in the best interest of both the Association and Management to implement a formal purchase order process, where formal bids are routinely solicited (and retained) for larger items, as well as any related "additional negotiations" be documented, either through a contemporaneous memo or an additional proposal. Furthermore, I would recommend the Association implement the necessary changes required so as an independent third party can clearly see that all purchases over a specified amount were properly bid or understand why such bid procedures were not followed and who approved the lack of bidding.

Another area in which I believe improvements are needed is in expenditure documentation. Numerous pieces of expenditure documentation were noted with nothing more than an original receipt, or in some cases, simply a statement. While such documentation is a good start, additional documentation is needed. In a few instances no documentation was observed.

A prime example of the confusion that can result from inadequate documentation stems from the July 2002 purchase of jewelry in the amount of \$352.02 by the General Manager's wife. A copy of the original invoice was attached to the check stub and filed as usual. However, there was nothing to indicate who approved the expenditure, what account it was to be charged to and what it was for. Questions to staff indicate the jewelry was a going away present for a 30 year employee, Marie Hammontree. This was confirmed by Board members as well. Thus, while no inappropriate intent was observed, a later review of the limited documentation led others to assume an inappropriate event did occur. A rigidly enforced check request form, with required signatures, accounting coding and an explanation could have prevented the incorrect assumption.

I would recommend the Association conduct a review of its current expenditure documentation procedures and implement the necessary changes required so as every expenditure can be clearly understood by an independent third party after the fact, as well as it be clearly obvious as to who approved the expenditure.

Disposal of Association Assets

The question was raised as to how Association assets are disposed of and specifically what happened to the old ambulance. Management has advised once assets are no longer needed by the Association, efforts are made to trade them in on the replacement asset or, if not possible to trade them in, sell them. In the case of the ambulance, a copy of a bill of sale provided by Big Canoe, along with the check received from the purchaser and the copy of the deposit slip at the

bank was readily provided by Management. It was also noted the Association was successful in selling old golf maintenance equipment from time to time.

Management advised, however, that assets are generally used as much as possible before they are disposed. A review of fixed asset listings from prior years does suggest as vehicles age they are moved from department to department until their useful life is essentially exhausted. An visual inspection of some vehicles did, in fact, confirm that some were very well used. Management also advised the Association is currently trying to sell a 1958 Ford fire truck.

Employee Loans

One of the issues raised dealt with the Association lending money to employees. In reviewing the matter in detail, it was observed that while not widespread, it is a practice the Association does engage in from time to time. With two exceptions, all the situations observed were for relatively small amounts and involved hourly employees who were perceived to be valued employees faced with a financial crisis. There is a form used to document these loans which outlines the repayment terms, which are repaid through weekly payroll withholdings.

It should be noted the Board addressed this issue in 1999 and drafted a resolution to govern such situations. It has been attached to this report as Exhibit C.

Two incidents were observed where advances were made to salaried personnel on year end bonuses; one involved an employee who had relocated to work at Big Canoe and was temporarily faced with two house payments. The other was similar in nature. In both incidents, repayment was made as planned.

Income tax status

Tax laws governing associations are complex and often misunderstood. In this instance, it is important to note that while the Association is a Georgia non-profit corporation, it has not been granted "non-profit status" by the Internal Revenue Service.

Associations are rarely granted "non-profit status" by the Internal Revenue Service because they rarely qualify for such. Rather, associations are either treated as a homeowners association (under section 528 of the Internal Revenue Code) or as a membership organization (under section 277 of the Internal Revenue Code). Please note treatment under either section 528 or 277 is never granted (and accordingly is never revoked); an association qualifies to be treated under either section if it meets the requirements spelled out in the Code.

Assuming the organization meets the necessary qualifications to be treated by section 528, the decision to then be covered by section 528 or 277 remains with the association. This "effective election" is made annually, and associations are free to change from year to year as it chooses. This freedom of choice is a powerful association taxation planning tool and a competent preparer should calculate the tax implications of both code sections annually before making a decision of how to file.

On the State level, it is important to note associations are exempt from net worth taxes. It is also worth noting the Association has been paying such in recent years. In this instance, I would recommend the Association contact its tax preparer and request amended returns be prepared to recover the net worth tax improperly paid.

Alleged Falsification of Financial Statements

One of the allegations made concerned a significant falsification of the financial statements. I am unaware as to the details concerning this allegation, and therefore am not in a position to comment on them. It should be noted, however, the Association's financial statements have been audited by independent auditors for the last several years who have issued "clean" audit reports on the financial statements. (While I have observed a "draft" of the 2002 audit report, I am uncertain if it has been issued as of this writing).

Other Issues

Numerous other smaller issues, such as issues dealing with specific food and beverage operation issues or golf issues, have also been reviewed in the course of this engagement. I am of the opinion none of these other issues were of sufficient materiality to warrant comments in this report.

Conclusion

In reviewing the issues raised, it appears as though most of the concerns raised essentially questioned the integrity of the current General Manager. Perhaps the real issue here is: did the General Manager act in an intentional and deliberate manner to deceive or defraud the Board and the Association?

It should be noted for the record I do not know the General Manager and, other than one interview, one telephone conversation and observing him in a Board meeting, have had no contact

The Board of Directors, Page Eleven
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with him. In the work I performed certain weaknesses within the Association were observed. Certain strengths and weaknesses were also observed in the General Manager, as with all of us.

My conclusion is as follows: while the bonus "gross up" situation is unfortunate and regrettable, and the lack of formal systems is probably not in the best interest of either the Association or Management, I do not believe the General Manager acted in an intentional and deliberate manner to deceive or defraud the Board or the Association. Furthermore, I feel I observed significant attention to cost control, as evidenced in part by the purchase of slightly used automobiles for Association use and through the aggressive bidding on larger contracts, along with an intense loyalty to the Association and its staff.

Thank you for the opportunity to be of assistance; please advise if I may be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald K. Elliott", written in a cursive style.

Donald K. Elliott

| Updated 7/30/03 I.D.# | Vehicle List (by Department) Description | Driver, if Specified | Comments | Drives Off Property |
|--|---|---|--|---------------------|
| ADMINISTRATION - 01 1GNDT13W91K257282 | 2001 CHEV. 4X4 BLAZER | Troy Ledbetter | | x |
| FAC. MAINT. - 03 1GCEK14V41Z221562 1GCEK14V1Y2237065 1GCEK14H3FF382410 1GCEK14H9FF379995 1GCEK14H3FF382794 1GCDT19W718198973 | 2001 CHEV. 1500 P.U. 2000 CHEV. P.U. #MCK15703 1985 CHEV. P.U. 4X4 1985 CHEV. P.U. 4X4 1985 CHEV. P.U. 4X4 2001 Chev. S-10 p/u | Tracy Chumley Ray Hughes Bryant McDaniels Charlie Lans Scottie Patterson Roy Bruce | Sign Maintenance part-time purchased 2/10/03 | x x x |
| ACC - 05 1GTCT14W0P8510692 1GNDT13WXY2316673 | 1993 GMC SONOMA P.U. 4X4 2000 CHEV. BLAZER 4 DR | Treena Parish Dennis Wright | | |
| LANDSCAPE MAINT. - 12 1GCEK14K5S2224851 1FTEF14N3TNA16443 | 1995 CHEV. P.U. CHEYENNE 4X4 1996 FORD F150 P.U. 4X4 | J C Blackwell Dirk Dill | | x |
| GROUNDS MAINT. - 13 1GCHK34J7YF464090 1GCEK14H8EF350227 1GNDT13W9SK201618 1GCDK14H8KZ155797 1GCEK14H0FF382641 1GCEK14H0EF350464 1GCEK14T2YZ161872 1GBK7H1M9VJ100222 1FDPF82K8VA28477 1GBG7D1BODV113140 CCE613V163738 S#1TKCO2429VG127910 S#1N9DS1228VV1160867 S#428022 | 2000 CHEV. PU M# CK30903 1984 CHEV. P.U. 4X4 1995 CHEV. BLAZER 1989 CHEV. P.U. 4X4 1985 CHEV. P.U. 4X4 1984 CHEV. P.U. 4X4 (NO TAG RENEWAL)(PAINT TRUCK) 2000 CHEV Z-71 PU 4X4 1997 CHEV. C6500 FLAT BED DUMP 1989 FORD DUMP 1983 CHEV. DUMP (SAND TRUCK) (NO TAG RENEWAL) 1973 CHEV. F.B. DUMP (SAND TRUCK) (NO TAG RENEWAL) 1997 TRAILER, TRAIL KING MOD. TK20 - AND STD. EQUIP. 1996 HOTTAC FLATBED TRAILER, NEAL HT540 & STD. EQUIP. UTILITY TRAILER, HOMEMADE REQUIRES TAG, NOT INSURED | Matt Morris housekeeping Randy Chumley Toby Jones | | x x x |
| SECURITY - 23 1GNDT13W2X2214699 1GNDT13W9X2164223 1GNDT13W6Y2312183 1GNDT13W72K179621 | 1999 CHEV. 4X4 S-10 BLAZER 1999 CHEV. 4X4 S-10 BLAZER 2000 CHEV. BLAZER 2002 Chevrolet Blazer 4 Door | Dean Cantrel | From Dept. 01 | x |
| FIRE & EMS - 25 W1318F55066567 C85PDU39914 F60D8U27945 3748PS2392E 1FDNF82K2EVA21763 1FDYD84N3DVA20016 | 1976 DODGE UTILITY FIRE TRUCK 1960 FORD FIRE TRUCK 1958 FORD FIRE TRUCK F600 PUMPER 1958 GMC FIRE TRUCK 1984 FORD WILDCAT F-800 FIRE ENGINE 1983 FORD 800 DIESEL ROUGHNECK FIRETRUCK | No Tag Renewal No Tag Renewal No Tag Renewal No Tag Renewal No Tag Renewal | | |
| GOLF MAINT. - 28 1GCDT14W5R8122736 1GCC14R9K2177155 1GCDT19W628166436 1gcec19bx2z133878 1GBJC34R3WFOO2387 1GBJC34J9YF40490 1MGME3210G3009970 1C9US1011P1370446 | 1994 CHEV. P.U. S-10 4X4 1989 CHEV. P.U. S-10 4X4 2002 CHEVY 'S' TRUCK 2002 chev ct 1998 CHAS/CAB CC31403 DUMP 2000 CHEV DUMP GMT-400 TRAILER, 1986 MAGLINER TRAILER, 1998 COUNTRY BOY | Ralph Beck Raymond Beck Jason Brownell Bill Wornac | purchased 4/8/03 | x x x x |
| FOOD & BEV. - 30 1GCEG25HOC7109868 | 1988 CHEV. VAN 20 | | | |



BARTOW PAVING COMPANY, INC.
P.O. BOX 2043 CARTERSVILLE, GEORGIA 30120
770-242-2925 FAX 770-267-1500

May 27, 2003

Mr. Toby Jones
Big Canoe POA
10588 Big Canoe
Big Canoe, Georgia 30143

VIA MAIL & FACSIMILE TO 706-268-3535
No. of pages: 6

Re: Big Canoe
2003 Resurfacing

Dear Mr. Jones:

We are pleased to submit the enclosed proposal for the above referenced project.

Upon acceptance of this proposal, sign and date the original and return to us at your earliest convenience. The second copy of the proposal is for your files.

We appreciate the opportunity to provide you with this quotation and look forward to working with you in the future.

Sincerely,
BARTOW PAVING COMPANY, INC.
Jim Pressley

Jim Pressley
Estimating

JP:lc

Enclosure



BARTOW PAVING COMPANY, INC.

P.O. BOX 2043, CARTERSVILLE, GEORGIA 30120
 770-384-9120 FAX 770-387-1009

Mr. Toby Jones
 Big Canoe POA
 10888 Big Canoe
 Big Canoe, Georgia 30143

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 2003 Resurfacing

Bartow Paving Company, Inc. proposes to furnish and install to the purchaser, in accordance with the following specifications and general conditions, the material and/or services described below.

| Description | Quantity | Unit | Unit Price | Amount |
|--|----------|------|------------|-----------|
| 400 SECTION - SCONTI RIDGE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 270.00 | TN | 52.58 | 14,223.50 |
| 400 SECTION - SCONTI RIDGE - NEW PAVING, 3 DRIVES 1. Prepare existing Graded Aggregate Base Material 2. 4 inches Asphaltic Concrete Wearing Surface, Type H | 33.00 | TN | 52.68 | 1,738.44 |
| EAGLE WAY 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 150.00 | TN | 52.68 | 7,602.00 |
| DEER RUN 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 1,238.00 | TN | 52.68 | 65,217.84 |
| TROTTER LANE TO WATER TANK 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 115.00 | TN | 52.68 | 6,058.20 |
| RIDGEVIEW DISHARON TO TOP AT LOT 8077 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 182.00 | TN | 52.88 | 9,587.76 |
| RIDGEVIEW WATER TANK TO TOLAND 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 510.00 | TN | 52.68 | 26,866.80 |

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 2003 Resurfacing

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| Description | Quantity | Unit | Unit Price | Amount |
|--|----------|------|------------|-----------|
| WINDFLOWER 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 305.00 | TN | 52.68 | 16,067.40 |
| VALLEYVIEW TOLAND TO WILDERNESS 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 816.00 | TN | 52.68 | 42,934.20 |
| WHITE OAK KNOLL 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 128.00 | TN | 52.68 | 6,743.04 |
| WILLOW DRIVE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 295.00 | TN | 52.68 | 15,540.60 |
| CRABAPPLE CIRCLE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 115.00 | TN | 52.68 | 6,058.20 |
| POST OAK 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 108.00 | TN | 52.68 | 5,689.44 |
| WILDERNESS PARKWAY DISHARDON TO COX MOUNTAIN DRIVE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 375.00 | TN | 52.68 | 19,755.00 |
| MAIN GATE ENTRANCE AND EXIT 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 215.00 | TN | 52.68 | 11,326.20 |
| NORTH GATE ENTRANCE AND EXIT 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 369.00 | TN | 52.68 | 19,438.92 |
| WILD TURKEY LANE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 125.00 | TN | 52.68 | 6,585.00 |

| Description | Quantity | Unit | Unit Price | Amount |
|---|----------|------|------------|-----------|
| FALCON HEIGHTS EAGLE WAY TO WILD TURKEY 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 375.00 | TN | 52.68 | 19,755.00 |
| RED FOX DRIVE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 878.00 | TN | 52.68 | 36,717.04 |
| BEAR CUB RIDGE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 248.00 | TN | 52.68 | 13,064.64 |
| BOBCAT BLUFF 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 118.00 | TN | 52.68 | 6,216.24 |
| FOX CLAW KNOLL 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 143.00 | TN | 52.68 | 7,533.24 |
| RACCOON RUN 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 20.00 | TN | 52.68 | 1,053.60 |
| YELLOW ROOT AND TRIANGLE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 289.00 | TN | 52.68 | 15,224.52 |
| QUAIL COVE PETTIT TO WOODLAND 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 473.00 | TN | 52.68 | 24,917.64 |
| SLEEPING FAWN 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 100.00 | TN | 52.68 | 5,268.00 |
| WREN'S NEST 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 102.00 | TN | 52.68 | 5,373.36 |

| Description | Quantity | Unit | Unit Price | Amount |
|---|----------|------|------------|---------------------|
| CARDINAL COVE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 100.00 | TN | 52.88 | 5,288.00 |
| MALLARD COVE 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 114.00 | TN | 62.68 | 6,005.52 |
| WOOD DUCK WAY 1. Bituminous Tack Coat 2. 1 inch Asphaltic Concrete Wearing Surface, Type H | 109.00 | TN | 52.68 | 5,689.44 |
| TOTAL | | | | \$432,618.85 |

EQUIPMENT RENTAL - IF NEEDED

- 1. Motorgrader with operator \$100.00 per hour
- 2. Loader with operator \$100.00 per hour
- 3. Dump Truck with operator \$ 50.00 per hour

The following notes are an integral part of this agreement:

1. Bartow Paving Company, Inc. will not be responsible for any damage to unmarked, underground utilities.
2. Surface water drainage is only guaranteed when areas maintain a minimum of a one percent (1%) fall.
3. Testing, layout, staking and engineering are not included.
4. Bond Premium is not included.
5. Above unit pricing does not include the following: permits, striping, signs, saw cutting, shoulder dressing, landscaping, utility conflicts, undercutting or subgrade stabilization.
6. Above unit pricing firm for work completed before September 30, 2003.
7. Bartow Paving Company, Inc. does not guarantee the pavement surface to be free of slippage cracks on any grade 14% or greater.
8. Bartow Paving Company, Inc. will not be responsible for damage to existing asphalt that may occur due to heavy or construction traffic.
9. Omission of any quoted items may affect the remaining unit prices.
10. The original contract agreement must be signed and returned to Bartow Paving Company, Inc. before mobilization of Base and Paving Crews.

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Bartow Paving Company, Inc. will not be responsible for any failure due to utility ditch line settlements. Any deviation from above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon labor disputes, accidents or delays beyond our control.

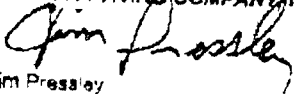
Big Canoe
2003 Resurfacing

May 27, 2003
Page 3 of 3

The price and terms in this proposal are subject to acceptance within thirty days from the date hereof. Bartow Paving Company, Inc. shall have the right to withdraw its proposal at any time before formal acceptance by the purchaser.

Payments due upon receipt of invoice. An interest rate of 1 1/2% per month will be charged on any accounts over thirty days old. All sales are subject to your maintaining credit worthiness satisfactory to our company.

Respectfully submitted,
BARTOW PAVING COMPANY, INC.


Jim Pressley
Estimating

Acceptance of quotation.

Signature

Title

Date

M:\DATA\Bartow\2003\Big Canoe\2003 Resurfacing.wpl

PROPOSAL

STEVE WATSON TRUCKING L.L.C.
D/B/A/ STEVE WATSON PAVING
7029 ELLIOTT FAMILY PARKWAY
DAWSONVILLE, GA. 30534
PHONE/FAX (706) 265-6383

DATE: MAY 27, 2003
SUBMITTED TO: BIG CANOE PROPERTY OWNER'S ASSOCIATION

JOB LOCATION: BIG CANOE

ATTENTION: TOBY JONES

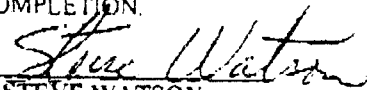
WE HEREBY PROPOSE TO FURNISH ALL THE MATERIALS AND PERFORM ALL THE LABOR NECESSARY FOR THE COMPLETION OF:

RESURFACING APPROXIMATELY 99,685 SQUARE YARDS

TOTAL BID \$393,755.75

ALL MATERIAL IS GUARANTEED TO BE AS SPECIFIED AND THE ABOVE WORK TO BE PERFORMED IN ACCORDANCE WITH SPECIFICATIONS FOR THE ABOVE WORK AND COMPLETED IN A SUBSTANTIAL WORKMANLIKE MANNER. ALL MATERIAL AND LABOR ARE GUARANTEED FOR A PERIOD OF 12 MONTHS FROM DAY OF COMPLETION.

SUBMITTED BY:


STEVE WATSON

NOTE: THIS PROPOSAL MAY BE WITHDRAWN BY US IF NOT ACCEPTED WITHIN 30 DAYS.

ANY ALTERATIONS OR DEVIATION FROM ABOVE SPECIFICATIONS INVOLVING EXTRA COST WILL BE EXECUTED ONLY UPON WRITTEN CHANGE ORDERS AND WILL BECOME AN EXTRA CHARGE OVER AND ABOVE THE ESTIMATE. ALL AGREEMENTS CONTIGENT UPON ACCIDENTS OR DELAYS BEYOND OUR CONTROL.

ACCEPTANCE OF PROPOSAL

THE ABOVE PRICES, SPECIFICATIONS, AND CONDITIONS ARE SATISFACTORY AND ARE HEREBY ACCEPTED. YOU ARE AUTHORIZED TO DO THE WORK AS SPECIFIED. PAYMENT IS TO BE MADE WITHIN 30 DAYS OF COMPLETION.

SIGNATURE: _____

DATE: _____

PROJECTED PAVING LIST FOR 2003

| | |
|--|-------------|
| 1. 400 SECTION (SCONTI RIDGE) 3650 SQUARE YARDS @ \$3.95 PER YARD | \$14,417.50 |
| 2. EAGLE WAY 1700 SQUARE YARDS @ \$3.95 PER YARD | \$ 6,715.00 |
| 3. DEER RUN (WATER LINE PENDING) 13,000 SQUARE YARDS @ \$3.95 PER YARD | \$51,350.00 |
| 4. TROTTER LANE (TO WATER PLANT) 2840 SQUARE YARDS @ \$3.95 PER YARD | \$11,218.00 |
| 5. RIDGEVIEW (DISHAROON TO TOP) 3550 SQUARE YARDS @ \$3.95 PER YARD | \$14,022.50 |
| 6. RIDGEVIEW (WATER TANK TO TOLAND) 7050 SQUARE YARDS @ \$3.95 PER YARD | \$27,847.50 |
| 7. WINDFLOWER 3875 SQUARE YARDS @ \$3.95 PER YARD | \$15,306.25 |
| 8. VALLEYVIEW (TOLAND TO WILDERNESS) 11,070 SQUARE YARDS @ \$3.95 PER YARD | \$43,726.50 |
| 9. WHITE OAK KNOLL 1250 SQUARE YARDS @ \$3.95 PER YARD | \$ 4,937.50 |
| 10. WILLOW DRIVE 1450 SQUARE YARDS @ \$3.95 PER YARD | \$ 5,727.50 |
| 11. CRABAPPLE CIRCLE 1050 SQUARE YARDS @ \$3.95 PER YARD | \$ 4,147.50 |
| 12. POST OAK 1050 SQUARE YARDS @ \$3.95 PER YARD | \$ 4,147.50 |
| 13. WILDERNESS PKWY. (DISHAROON TO COX MTN DRIVE) 5040 SQUARE YARDS \$3.95 PER YARD | \$19,908.00 |

| | |
|--|-------------|
| 14. MAIN GATE (ENTRANCE AND EXIT) 2900 SQUARE YARDS @ \$3.95 PER YARD | \$11,455.00 |
| 15. NORTH GATE (ENTRANCE AND EXIT) 4850 SQUARE YARDS @ \$3.95 PER YARD | \$19,157.50 |
| 16. WILD TURKEY LANE 1750 SQUARE YARDS @ \$3.95 PER YARD | \$ 6,912.50 |
| 17. FALCON HEIGHTS (EAGLE WAY TO WILD TURKEY) 4600 SQUARE YARDS @ \$3.95 PER YARD | \$18,170.00 |
| 18. RED FOX DRIVE 7040 SQUARE YARDS @ \$3.95 PER YARD | \$27,808.00 |
| 19. BEAR CUB RIDGE 2650 SQUARE YARDS @ \$3.95 PER YARD | \$10,467.50 |
| 20. BOBCAT BLUFF 1350 SQUARE YARDS @ \$3.95 PER YARD | \$ 5,332.50 |
| 21. FOX CLAW KNOLL 1400 SQUARE YARDS @ \$3.95 PER YARD | \$ 5,530.00 |
| 22. RACCOON RUN 1600 SQUARE YARDS @ \$3.95 PER YARD | \$ 6,320.00 |
| 23. YELLOW ROOT (AND TRIANGLE) 2800 SQUARE YARDS @ \$3.95 PER YARD | \$11,060.00 |
| 24. QUAIL COVE (PETTIT TO WOODLAND) 6000 SQUARE YARDS @ \$3.95 PER YARD | \$23,700.00 |
| 25. SLEEPING FAWN 1320 SQUARE YARDS @ \$3.95 PER YARD | \$ 5,214.00 |
| 26. WRENS NEST 1050 SQUARE YARDS @ \$3.95 PER YARD | \$ 4,147.50 |
| 27. CARDINAL COVE 1325 SQUARE YARDS @ \$3.95 PER YARD | \$ 5,233.75 |

| | | |
|-------------------------------------|--|-------------|
| 28. MALLARD COVE | | |
| 1500 SQUARE YARDS @ \$3.95 PER YARD | | \$ 5,925.00 |
| 29. WOOD DUCK WAY | | |
| 975 SQUARE YARDS @ \$3.95 PER YARD | | \$ 3,851.25 |

TOTAL BID \$393,755.75

Proposal

Northwest Georgia Paving, Inc.

P.O. Box 578 Calhoun, Georgia 30703

Calhoun (706) 629-8235

Rome (706) 298-0886

Carterville (770) 382-8134

Fax (706) 773-9692

All kinds of Asphalt Paving & Grading Since 1958

| | | |
|---|--------------------------------|----------------|
| Name Big Canoe P.O.A. | Phone (706) 268-3190 | Date 6-9-03 |
| Street 586 Big Canoe | Job Name Street Resurfacing | |
| City, State and Zip Code Big Canoe, GA 30147 | Job Location | |
| Att. Mr. Toby Jones | Notes | |

The costs for resurfacing the streets as per the specifications provided are as follows:

| | |
|---|-------------|
| 400 Section (Scouti Ridge) | \$15,400.00 |
| Eagle Way | \$5,300.00 |
| Deer Run | \$32,000.00 |
| Trotter Lane (To Water Plant) | \$7,500.00 |
| Ridgeview (Disharoon To Top) | \$9,800.00 |
| Ridgeview (Water Tank To Toland) | \$24,000.00 |
| Windflower | \$13,500.00 |
| Valleyview (Toland To Wilderness) | \$38,000.00 |
| White Oak Knoll | \$3,800.00 |
| Willow Drive | \$12,300.00 |
| Crabapple Circle | \$4,800.00 |
| Post Oak | \$3,600.00 |
| Wilderness Parkway (Disharoon To Cox Mt. Drive) | \$17,000.00 |
| Main Gate (Entrance & Exit) | \$19,000.00 |
| North Gate (Entrance & Exit) | \$15,800.00 |
| Wild Turkey Lane | \$5,200.00 |
| Falcon Heights | \$16,000.00 |
| Red Fox Drive | \$24,000.00 |
| Bear Cub Ridge | \$8,000.00 |
| Bobcat Bluff | \$4,700.00 |

| | |
|---|--|
| We Propose hereby to furnish material and labor complete in accordance with above specifications for the sum of: AS STATED ABOVE | |
| Payment to be made as follows: AS INVOICED | |
| AN INTEREST RATE OF 1.34% PER MONTH WILL BE ADDED TO UNPAID BALANCES | |
| <p><small>All material is furnished to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alterations or change orders will be executed only upon written orders and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents, or delays beyond our control. Either party may cancel this contract prior to commencement of work without penalty or liability. Owner to carry fire, theft, and other necessary insurance. Our workers are fully covered by Workers' Compensation Insurance.</small></p> | <p>Authorized Signature _____ This proposal may be withdrawn by us if not accepted within 15 days.</p> |
| <p>Acceptance of Proposal- The above prices, specifications and conditions are satisfactory and are hereby accepted. I will be responsible for all attorney's fees incurred during collection. You are authorized to do the work as specified. Payment will be made as outlined above. Date of Acceptance: _____</p> | <p>Signature _____ Signature _____</p> |


| | |
|---------------------------------|---------------------|
| Claw Knoll | \$7,700.00 |
| Raccoon Run | \$4,500.00 |
| Yellow Root (And Triangle) | \$10,700.00 |
| Quail Cove (Pettit To Woodland) | \$19,000.00 |
| Sleeping Fawn | \$3,600.00 |
| Wrens Nest | \$3,500.00 |
| Cardinal Cove | \$4,200.00 |
| Mallard | \$5,000.00 |
| Wood Duck Way | <u>\$3,400.00</u> |
| TOTAL: | \$341,300.00 |

- Notes:
- Our price for resurfacing includes clipping the shoulders, providing traffic control, installing manhole risers furnished by Big Canoe, and the bituminous tack coat.
 - We have based our proposal on performing all the work as one mobilization. Deleting streets from the above list or splitting the work into more mobilizations may result in different individual street prices.
 - We will not be responsible for damage to underground utilities or drainage cracks & texture variations on grades steeper than fourteen percent.

We Propose hereby to furnish material and labor-complete in accordance with above specifications for the sum of:
AS STATED ABOVE

Payment to be made as follows:
AS INVOICED

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alterations involving extra costs will be assessed only upon written orders and will become an extra charge over and above the estimate. All agreements contingent upon written, contracts, or change beyond our control. Rider party may cancel this contract prior to commencement of work without penalty or liability. Owner to carry fire, flood, and other necessary insurances. Our workers are fully covered by Workman's Compensation Insurance.

Authorized Signature 
 This proposal may be withdrawn by us if not accepted within 15 days.

Acceptance of Proposal- The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.
 Date of Acceptance: _____

Signature _____
 Signature _____

RESOLUTION
In Regard to Employee Loans
Ratified January 19, 1999

A motion was made, seconded and passed to allow employee loans up to \$1,000 with a pay back period of one (1) year with no interest for employees experiencing a catastrophic loss such as a home burning.