The Landings Association, Inc.

600 Landings Way South, Savannah, Georgia 31411

2001

Audited Financial Statements and Other Information

December 31, 2001 and 2000

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Finance & Audit Committee and Treasurer's Report

The Association continues to be in a strong and stable financial condition. In 2001, the second year of the current assessment cycle, revenues were $4,752,000, expenses were $4,607,600 including an allocation to reserves of $389,500, and net operating margins was $144,400. Details of 2001 financial operations are available in the report of our auditors which is included in this report. The 2002 budget, which includes Yacht Club operations, projects revenues of $6,555,400 and expenditures of $6,527,000, with a net margin of $28,400, half attributable to the Association and half to the Yacht Club. Financial operations will be closely monitored during the year to assure that results are in accord with expectations. Yacht Club indebtedness will be reduced by $1,000,000 in compliance with the merger agreements.

The Finance and Audit Committee has had a busy and highly productive years. Major areas of concern have included our contract and bidding process, reserving policy and reserve funds, longer range financial planning, and of course, the merger with the Yacht Club.

The whole contracting and bidding process was reviewed in concert with the Governance Committee, and a new Capital Expenditures policy recommended to the Board of Directors which simplifies the process and helps assure the availability of qualified bidders. Negotiated contracts will be allowed in certain instances, and multi-year contracts for the purchase of vehicles are encouraged.

Storm Drain and Selected Assets study recommendations were implemented and a Road and Trail study was completed enabling appropriate allocations to those reserves funds in 2001. Other reserving policies were reviewed and new approaches recommended to the Board reflecting changing conditions.

Long range financial planning, including preliminary consideration of financial requirements during the next assessment cycle was also a major focus. Although final recommendations will depend on evaluation of the results of the recently completed Focus Group meetings and further input from residents during 2002, specific recommendations as to the level of non-assessment revenues and needed allocations to reserve funds were adopted by the Committee. A special committee to assure effective communications with residents during the assessment planning process has been established and is in the process of planning for member information and input.

Without a doubt, the pending merger between the Association and the Yacht Club required the most Committee time and attention. Evaluation of the options originally considered resulted in a strong Committee recommendation to pursue the merger route, thus requiring membership involvement and approval and offering opportunity for the Yacht Club to take advantage of Association strengths and resources. Work continues to assure a smooth transition in bringing Yacht Club operations into compliance with Association policy and procedures.

In addition to these major areas of activity, the Committee simplified financial reporting procedures and adopted a revised chart of accounts, recommended and updated information processing system, studied and recommended consolidation of bank accounts, and conducted internal audits of cash, investments and internal controls.

The members of the Finance and Audit Committee who are listed elsewhere on this page, are among the most competent and diligent with whom I have ever had the privilege to work. Jim Noyes, who is required to retire after five years on the Committee, and who has made many significant contributions to the Association and to the people who live at The Landings, remarked that this has been the strongest and most effective Committee on which he has served. Each and everyone deserves our sincere thanks. They certainly have mine.

Finance Committee

Dave Fullarton, Chair
Robert Aiken
Paul Carini
Tom Gilligan
John Kilcullen
Roger Molzahn
Jim Noyes
Maggie Sandberg
Wallace Smith
Deborah L. Friend, Dept. Contact

LAZARD/DANA
CERTIFIED PUBLIC ACCOUNTANTS

Report Of Independent Certified Public Accountants

To The Board of Directors and Members
The Landings Association, Inc.
600 Landings Way South
Savannah, Georgia 31411

We have audited the accompanying consolidating balance sheets of The Landings Association, Inc. and subsidiary as of December 31, 2001 and 2000, and the related consolidating statements of revenues and expenses and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of The Landings Association, Inc. and subsidiary as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, all in conformity with accounting principles generally accepted in the United States of America.

The supplementary information of future major repairs and replacements on pages 18 and 19 is not a required part of the basic financial statements of The Landings Association, Inc. but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lazard, Dana, Curlee & Arkin, L.L.P.

January 24, 2002

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Consolidating Balance Sheets

	December 31, 2001						Dec 31 00
	The Landings Association, Inc.			The Landings Company	Eliminations	Total	Total
	Operating	Reserve Funds	Total				
ASSETS							
Current Assets							
Cash & cash equivalents							
Cash & money market accounts	$ 1,689,496	$ 77,007	$ 1,766,503	$ 520,551	$ -	$ 2,287,054	$ 1,104,434
Segregated cash accounts	-		-			-	4,042
Cash held in escrow	148,815		148,815	757,426		906,241	655,859
	1,838,311	77,007	1,915,318	1,277,977	-	3,193,295	1,764,335
Certificates of deposit	-		-			-	119,710
Certificates of deposit, escrow	148,204		148,204			148,204	200,000
Investments, short-term	46,826	1,922,577	1,969,403			1,969,403	2,420,697
Investments, short-term escrow	35,231		35,231			35,231	
Assessments receivable, *net of allowance for doubtful accounts of $2,543 in 2001 and $4,000 in 2000*	371		371			371	3,674
Interest receivable	1,513		1,513			1,513	3,693
Income tax receivable				100,800		100,800	78,900
Other accounts receivable	109,208		109,208	1,094		110,302	26,659
Prepaid expenses	31,940		31,940			31,940	36,321
Deferred tax asset				5,300		5,300	5,300
Other asset						-	30,000
Due from (to) other funds	57	(57)	-			-	-
Total Current Assets	2,211,661	1,999,527	4,211,188	1,385,171	-	5,596,359	4,689,289
Property, Plant and Equipment							
Land				75,000		75,000	75,000
Buildings and equipment, net	1,583,819		1,583,819	825,247		2,409,066	2,499,042
Total Property, Plant and Equipment	1,583,819	-	1,583,819	900,247	-	2,484,066	2,574,042
Long-term Assets							
Certificate of deposit						-	48,204
Certificate of deposit, escrow						-	100,000
Investments, long-term	100	225,224	225,324		(100)	225,224	225,300
Investment in subsidiary	1,192,873		1,192,873		(1,192,873)		
Total Long-term Assets	1,192,973	225,224	1,418,197	-	(1,192,973)	225,224	373,504
TOTAL	**$ 4,988,453**	**$ 2,224,751**	**$ 7,213,204**	**$ 2,285,418**	**$ (1,192,973)**	**$ 8,305,649**	**$ 7,636,835**
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable & accrued expenses	$ 223,710	$ 25,333	$ 249,043	$ 37,196	$ -	$ 286,239	$ 189,698
Current portion of long-term debt				21,667		21,667	21,667
Deferred revenue				361,931		361,931	334,967
Escrow balances and deposits	332,250		332,250	395,495		727,745	605,768
Lead payments due				3,878		3,878	25,102
Accrued payroll & taxes withheld	143,692		143,692	15,974		159,666	149,781
Income taxes payable	70,081	25,490	95,571			95,571	163,055
Total Current Liabilities	769,733	50,823	820,556	836,141	-	1,656,697	1,490,038
Long-term Liabilities							
Long-term bank debt, net of current portion				229,304		229,304	250,971
Deferred tax liability				27,000		27,000	21,300
Total Long-term Liabilities	-	-	-	256,304	-	256,304	272,271
Equity							
Common stock *($1 par, 10,000 shares authorized, 100 shares issued and outstanding)*				100	(100)		
Retained earnings				1,192,873		1,192,873	1,215,148
Members' equity	4,218,720	2,173,928	6,392,648		(1,192,873)	5,199,775	4,659,378
Total Equity	4,218,720	2,173,928	6,392,648	1,192,973	(1,192,973)	6,392,648	5,874,526
TOTAL	**$ 4,988,453**	**$ 2,224,751**	**$ 7,213,204**	**$ 2,285,418**	**$ (1,192,973)**	**$ 8,305,649**	**$ 7,636,835**

NOTE - The accompanying Notes to Financial Statements are an integral part of these financial statements.

Consolidating Statements of Revenues & Expenses and Changes in Equity

	The Landings Association, Inc. Year ended December 31, 2001 Operating	Reserve Funds	Total	The Landings Company	Eliminations	Total	Year ended Dec 31 00 Total
Revenues							
Assessments	$ 3,485,820	$ -	$ 3,485,820	$ -	$ -	$ 3,485,820	$ 3,485,820
Transfer fees						-	521,410
Commissions				4,013,427		4,013,427	5,346,935
Service agreements	148,149		148,149			148,149	137,129
Vehicle registration	559,981		559,981			559,981	557,638
Architectural review fees	146,876		146,876			146,876	139,250
Interest earned	135,334	78,531	213,865			213,865	289,253
Rental fees				1,098,747		1,098,747	1,311,002
Cable contract fees	39,470		39,470			39,470	37,046
Directory advertising	1,455		1,455			1,455	18,167
Journal advertising	43,262		43,262			43,262	26,845
Storage yard leases	23,636		23,636			23,636	18,038
Mailboxes	10,255		10,255			10,255	16,931
Telecommunications leases	41,366		41,366			41,366	33,012
Cable head-end lease	2,600		2,600			2,600	2,400
Maintenance facility lease	33,312		33,312			33,312	8,800
Forfeited construction deposits	(2,000)		(2,000)			(2,000)	(9,781)
Other	3,950		3,950	84,465		88,415	85,229
Total	**4,673,466**	**78,531**	**4,751,997**	**5,196,639**	**-**	**9,948,636**	**12,025,124**
Expenses							
Public safety	959,177		959,177			959,177	873,308
Public works	1,940,449	32,216	1,972,665			1,972,665	2,215,386
Architectural review	141,359		141,359			141,359	127,622
General & administrative	1,129,939	29	1,129,968	972,979		2,102,947	2,177,627
Commissions				2,329,721		2,329,721	3,133,625
Costs related to rentals				1,089,721		1,089,721	1,257,083
Sales & marketing				842,693		842,693	1,072,535
Income taxes	(8,735)	23,598	14,863	(16,200)		(1,337)	396,216
Total	**4,162,189**	**55,843**	**4,218,032**	**5,218,914**	**-**	**9,436,946**	**11,253,402**
Excess of revenues over (under) expenses	**511,277**	**22,688**	**533,965**	**(22,275)**		**511,690**	**771,722**
Equity in earnings of subsidiary	(22,275)		(22,275)		22,275		
	489,002	22,688	511,690	(22,275)	22,275	511,690	771,722
Equity, January 1	4,108,820	1,765,706	5,874,526	1,215,248	(1,215,248)	5,874,526	5,026,257
Transfer of capital projects	10,421	(10,421)	-				
Restricted members' contribution		6,432	6,432			6,432	76,547
Transfer to repair & replacement funds	(389,523)	389,523	-				
Equity, December 31	**$ 4,218,720**	**$ 2,173,928**	**$ 6,392,648**	**$ 1,192,973**	**$ (1,192,973)**	**$ 6,392,648**	**$ 5,874,526**

NOTE - The accompanying Notes to Financial Statements are an integral part of these financial statements.

Consolidating Statements of Cash Flows

	The Landings Association, Inc.			The Landings Company	Eliminations	Year ended December 31, 2001	Year ended Dec 31 00
	Operating	Reserve Funds	Total			Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Excess of revenues over (under) expenses	$ 489,002	$ 22,688	$ 511,690	$ (22,275)	$ 22,275	$ 511,690	$ 771,722
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:							
Equity in earnings of subsidiary	22,275		22,275		(22,275)	-	-
Depreciation	255,911		255,911	75,718		331,629	260,589
Loss on disposition of assets	288		288	3,625		3,913	8,528
Provision for doubtful accounts	-		-			-	(5,296)
Decrease in assessments receivable	3,303		3,303			3,303	3,853
(Increase) decrease in interest receivable	16,305	2,014	18,319			18,319	(6,922)
(Increase) decrease in other receivables	(63,495)		(63,495)	(247)		(63,742)	23,093
Decrease in tax assets				5,700		5,700	31,300
Decrease in prepaid expenses	4,381		4,381			4,381	1,166
(Increase) decrease in other assets				30,000		30,000	(30,000)
Increase (decrease) in accounts payable and accrued expenses	121,662	25,333	146,995	(111,875)		35,120	(190,257)
Decrease in accrued health benefits			-			-	(1,573)
Increase (decrease) in escrow balances and deposits	30,750		30,750	91,227		121,977	(167,994)
Increase in accrued payroll and taxes withheld	8,281		8,281			8,281	7,762
Increase in deferred revenues				26,964		26,964	334,967
Changes in interfund balances	(3,084)	3,084	-				
Increase (decrease) in income taxes payable	(66,877)	(607)	(67,484)			(67,484)	33,481
Restricted contributions received from members		6,432	6,432			6,432	76,547
Cash transfer to repair funds	(389,523)	389,523	-			-	-
Net cash provided by operating activities	**429,179**	**448,467**	**877,646**	**98,837**	**-**	**976,483**	**1,150,966**
CASH FLOWS FROM INVESTING ACTIVITIES:							
Capital expenditures	(142,299)	(10,421)	(152,720)	(92,846)		(245,566)	(938,165)
Proceeds from the sale of assets			-			-	811
Proceeds from sale of short-term investments	24,713,608	17,726,392	42,440,000			42,440,000	14,763,203
Proceeds from sale of certificates of deposit	418,726		418,726			418,726	229,895
Purchase of short-term investments	(23,873,890)	(18,166,110)	(42,040,000)			(42,040,000)	(14,987,407)
Purchase of certificates of deposit	(99,016)		(99,016)			(99,016)	(449,710)
Purchase of long-term certificates of deposit			-			-	(148,204)
Net cash provided by (used in) investing activities	**1,017,129**	**(450,139)**	**566,990**	**(92,846)**	**-**	**474,144**	**(1,529,577)**
CASH FLOWS FROM FINANCING ACTIVITIES:							
Repayments under long-term bank agreement				(21,667)		(21,667)	(21,667)
Net cash used in financing activities	**-**	**-**	**-**	**(21,667)**	**-**	**(21,667)**	**(21,667)**
Increase (decrease) in cash and cash equivalents	1,446,308	(1,672)	1,444,636	(15,676)		1,428,960	(400,278)
Cash and cash equivalents, January 1	392,003	78,679	470,682	1,293,653		1,764,335	2,164,613
Cash and cash equivalents, December 31	**$ 1,838,311**	**$ 77,007**	**$ 1,915,318**	**$ 1,277,977**	**$ -**	**$ 3,193,295**	**$ 1,764,335**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2001	2000
Cash paid during the year for taxes by The Landings Association, Inc.	$ 82,347	$ 126,669
Cash paid during the year for interest by The Landings Company	11,819	20,538
Cash paid during the year for taxes by The Landings Company	-	408,666

NOTE - The accompanying Notes to Financial Statements are an integral part of these financial statements.

Notes to Financial Statements

Notes to Financial Statements

NOTE 1 – Organization

The Landings Association, Inc. ("Association") is a homeowners' organization organized as a not-for-profit corporation in the State of Georgia. Its members are property owners of The Landings on Skidaway Island, a private residential community comprised of 4,450 acres and 4,251 lots, located in Savannah, Georgia. The Association owns, operates and maintains the common properties and facilities, and provides security services within the community.

The Association is the sole shareholder of The Landings Company ("Company"). The Company is responsible for the marketing and the real estate operations previously provided by the property developer, The Branigar Organization ("Branigar"). In accordance with the bylaws of the Company, the transfer of Company stock is restricted solely to the Association which is to remain the sole shareholder. The majority of the Company's expenditures relates to promoting The Landings real estate properties on a national basis, sales of homes and lots and rentals of owners' homes.

NOTE 2 - Significant Accounting Policies

Method of Consolidation - The accompanying consolidating financial statements include the accounts of The Landings Association, Inc. and its wholly owned subsidiary, The Landings Company. Intercompany transactions and balances have been eliminated in consolidation.

Accounting Method - Both the Association's and the Company's financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid. Further, the Association uses fund accounting which requires that funds designated for future significant repairs and replacements (Storm Drain & Selected Assets Fund, Equipment Reserve Fund and Road & Trail Resurfacing Fund) and the funds received from members for designated purposes other than operating (Capital Improvements Fund) be classified separately for accounting and reporting purposes.

Cash & Cash Equivalents - Cash equivalents represent highly liquid investments with maturities of three months or less at the date of purchase.

Segregated Cash Within the Operating Fund - In accordance with the *Architectural Guidelines and Review Procedures*, the Association holds monies in escrow for owners and builders during the construction phase of new houses and major renovations.

Segregated Cash Within the Reserve Funds - The Association held in a segregated account within the Capital Improvements Fund the amount pledged to the Athletic Field Steering Committee. The monies raised by the Committee remain in an account that it established during the campaign to be transferred when needed to pay for the project and are not included in these financial statements.

Segregated Cash Within The Landings Company - The Company has escrow accounts established to hold the monies received as down payments on sales contracts and security deposits of members' houses rented through the Company. Effective June 30, 2000, transfer fees collected are recorded as deferred revenue and maintained in a restricted cash account pending the outcome of a lawsuit (see Note 9).

Assessments - Members' assessments for the Association for operating purposes are required to be approved by a vote of the members no more frequently that every three years. The assessment rate for each lot in 2001 and 2000 was $820. Disbursements from the Operating Fund are generally at the discretion of the general manager within the Board's approved budget. Disbursements from the reserve funds may only be for their designated purposes.

Transfer Fees - To generate revenues to support the marketing activities, the Company collected transfer fees equal to one percent (reduced to 0.75% effective September 20, 1999 and further reduced to 0.50% effective June 19, 2000) of the price of homes and lots sold within The Landings community. Effective January 16, 2001 transfer fees are no longer collected. The homeowners, through a vote that exceeded the two-thirds minimum required to pass such a covenant change, approved the establishment of the transfer fee of up to one percent. (See Note 9)

Inventories – Inventories of gasoline, diesel and for sale signs are included in prepaid expenses on the balance sheet of the Association totaling $2,485 in 2001 and $3,056 in 2000. Cost is determined by first-in, first-out method.

Recognition of Assets and Depreciation Policy – The Association owns significant amounts of real property and improvements as follows:

Common areas and rights-of-way, in acres	1,356
Roadways, in miles	96
Trails, in miles	32
Lagoons	142
Gate houses & entrances	5
Bridges	9

These properties were periodically conveyed to the Association under an agreement with the developer. These common properties are real property directly associated with the individual ownership of member properties and dedicated for the use of the entire community. They cannot be sold separately, and thus have no fair market value other than that related to their intended use. Such assets are not recognized in the financial statements of the Association. The *Articles of Incorporation and General Declaration of Covenants and Restrictions* permit the Association to participate in mergers and consolidations with other non-profit corporations organized for the same purposes; mortgage the properties; and dedicate or transfer all or any part of the common properties to any public agency, authority or utility. Upon dissolution of the corporation, the assets, both real and personal, shall be dedicated to an appropriate public agency or activity. All such actions require approval of two-thirds of the membership.

The Association capitalizes assets acquired with Association funds. Assets donated by members are recorded at fair market value. For the Association and the Company, property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method at rates that are sufficient to amortize the cost of the assets over their estimated useful lives. For the years ended December 31, 2001 and 2000, amounts expensed by the Association for depreciation were $255,911 and $218,105, respectively. For the years ended December 31, 2001 and 2000, amounts expensed by the Company for depreciation were $75,718 and $42,484, respectively.

Property, plant and equipment consist of the following at December 31, 2001:

	The Landings Association	The Landings Company
Land Improvements	$ 517,205	$ -
Buildings	1,017,478	661,657
Equipment	1,058,890	96,183
Furniture & fixtures	94,061	206,492
Vehicles	529,903	18,609
	3,217,537	982,941
Less: accumulated depreciation	(1,633,718)	(157,694)
	1,583,819	825,247
Land	-	75,000
	$1,583,819	$900,247

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs - The Company expenses the majority of advertising and other marketing costs when related invoices are received.

Reclassifications - Certain prior year amounts have been reclassified to conform to current year presentations.

NOTE 3 – Concentration of Credit Risk

The Association and the Company maintain their cash balances at regional banks, located in Savannah, Georgia. Certain balances are insured through real estate laws and by the Federal Deposit Insurance Corporation up to $100,000. Uninsured balances of the Association were approximately $1,565,883 and $227,319 at December 31, 2001 and 2000, respectively. (See Note 17) Uninsured balances of the Company were $420,046 and $554,214 at December 31, 2001 and 2000, respectively.

NOTE 4 - Association Investments

Investment securities are those investments that the Association acquires with the intent and the ability to hold to maturity. Securities chosen for investment are selected to preserve capital and protect investment principle, maintain sufficient liquidity to meet anticipated needs and attain a market rate of return consistent with the preservation of capital. Repurchase agreements according to the Association's investment policy must be fully collateralized by U.S. Obligations. On December 31, 2000, the Association held a $240,000 repurchase agreement.

Short-term Investments - Short-term investments consist of U.S. Government obligations and a South Carolina Student Loan Floating Rate Bond that are stated at cost plus their interest receivable, which approximates market.

Long-term Investments - Long-term investments include Federal Home Loan Bank Notes, which are stated at cost plus their interest receivable. Long-term investments consist of the following at December 31, 2001:

Instrument	Face Value	Maturity	Interest Rate	Market	Cost
FHLB	65,000	12/4/2004	6.045%	68,758	65,528
FHLB	160,000	11/19/2003	5.280%	165,900	160,000

NOTE 5 - Assessments Receivable

The Association's policy is to place liens on the properties of owners whose assessments are two months in arrears. Assessments receivable of $2,914 at December 31, 2001, and $7,674 at December 31 2000, in the Operating Fund, including interest, fees and legal costs, were in arrears and under lien. Because of foreclosures against certain property owners and the filing of personal bankruptcies that cast doubt on the collectibility of certain assessments, an allowance for doubtful accounts of $2,543 in 2001 and $4,000 in 2000, have been established for their uncertainty.

NOTE 6 - Reserve Funds

Capital Improvements Fund - A special capital assessment of $200 was billed in 1986 to build the administration building and maintenance facility for the Association. The capital assessment of 1986 is restricted to the capital additions in the 12-acre area of the Association's administration building.

Future Major Repairs and Replacements - The Association's governing documents provided for the levying of annual general purpose assessments which, in addition to providing funds for general operations of the Association, also provide for the repair and maintenance of drainage facilities, selected assets, equipment and road resurfacing.

It is the practice of the Association to include normal, recurring repair and maintenance of common properties in annual operating budgets and to set aside in separate repair and replacements funds amounts estimated to be required to meet future major repair and replacement costs of certain components of common properties. Actual expenditures may vary from the estimated future expenditures and variations may be material. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

Storm Drain & Selected Assets Fund – In 2000, the Association conducted a study to determine the physical and operating condition and estimate future costs of major repair and replacements of the drainage system, nine bridges, the observation tower within The Landings and the administration building's roof. The study estimated that the components in the drainage system have useful lives that range from 30 to 80 years. The study estimated the cart bridges have useful lives of 25-30 years and the road bridges 50-80 years. The roof and the observation tower have estimated useful lives of 20 years and 35 years, respectively. Monies transferred to this fund amounted to $89,523 in 2001 and $188,625 in 2000. During the year ended December 31, 2001, the amount expended from the fund for repairs and replacements was $32,216.

Equipment Reserve - In 1997, the Association established a fund to cover 50 percent of a replacement cost of major capital equipment. Major capital equipment is defined as those items costing $50,000 or more. Monies transferred to this fund amounted to $50,340 in 2000.

Road & Trail Fund – In 2001, the Association conducted a study to determine the physical and operating condition and estimate future costs of major repair and resurfacing of the road and trail system. The study estimated that the roads have useful lives of 15 to 25 years, and trails 10 to 20 years depending on the type of root barrier used. Monies transferred to this fund amounted to $300,000 in 2001 and $180,000 in 2000.

NOTE 7 - Pension Plan

The Association maintains a defined contribution pension plan for all eligible employees. Employees are eligible to participate in the plan upon attaining the age of 21 years and completing 12 months active service. Vesting begins with the second year of service and participants become fully vested after six years.

Association contributions, based on established percentages of eligible paid compensation, but not to exceed five percent of the total quarterly eligible compensation amounted to $56,159 in 2001 and $44,030 in 2000.

In July 1998, the Association and the Company established a 401(k) retirement plans. Employees are eligible to participate in the plan upon attaining the age of 18 years and completing six months of service. Employees may contribute annually up to the lesser of 20 percent of their salaries or $10,500 during 2001 and $10,000 in 2000. The Company's plan provides for an employer match of 50 percent on the first four percent of the salary deferred by an employee. Effective May 1, 2001 the Association's plan increased the employer match to 75 percent on the first five percent of the salary deferred by an employee. Vesting on the employer-matched contribution begins with the second year of service and participants become fully vested after six years. For the years ended December 31, 2001, and 2000, the Association's contributions amounted to $22,979 and $17,645 respectively. Expenses for the Company amounted to $11,390 and $13,325 for the years ended December 31, 2001 and 2000, respectively.

NOTE 8 - Income Taxes

The Association has elected to file its income tax returns as a homeowners' association in accordance with the Internal Revenue Code, Section 528. Under this section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of the Association property. Net non-exempt function income, which includes earned interest and revenues received from non-members, is taxed at 30 percent by the federal government and at six percent by the State of Georgia.

The Company elected a C-Corporation status for income tax purposes. The provision for income taxes includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and that for income tax purposes. The Company's income taxes are determined under the asset and liability approach described in Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Temporary differences giving rise to the deferred tax asset consists primarily of the amortization for tax purposes of organizational costs that were expensed for financial reporting and the timing differences of the depreciation for property, plant and equipment. The 2001 taxable loss of approximately $55,000 will be carried back to 1999 in order to receive a refund when the tax return is filed.

The Company's tax provision consists of the following:

	For the year ended December 31, 2001	2000
Tax (refund) expense on current taxable earnings	$ (21,900)	$ 204,766
Deferred income tax expense	5,700	31,300
	$ (16,200)	$ 236,066

NOTE 9 - Legal Matters

There are presently two matters pending in which the Association and the Company ("defendants") are directly involved in which claims have been asserted against them.

The first involves two former property owners who allege that certain amendments to the Association's covenants were improperly made. The plaintiffs seek to recover the transfer fee that they previously paid under protest. A ruling in favor of the defendants at the trial court level was reversed by the Court of Appeals and the Supreme Court of Georgia did not change their opinion. The Trial Court has released the transfer fee to the plaintiffs. The only issue remaining is the plaintiffs' demand for an award of attorneys fees and litigation expenses and a Motion to Certify the matter as a class action. It is the opinion of counsel that this issue will not result in an unfavorable outcome.

The second involves one former and one present property owner. The plaintiffs in this case make a similar challenge to the Association's covenant change, and therefore the validity of the transfer fee. The plaintiffs are also seeking class certification from the Court. The plaintiffs purporting to act for a class, seek to restrain and enjoin the defendants from collecting any further transfer fees or from spending any of them and request an accounting and a permanent injunction against the collection of transfer fees. The litigation further seeks a judgment that would return transfer fees collected by the Company to the plaintiffs and all members of the class. This case was stayed until the decision of the Supreme Court of Georgia was made in the previously mentioned case. Depositions and other discovery in this case are essentially complete. Further the plaintiffs have filed a motion to add The Branigar Organization, Inc. as a party defendant. Since June 30, 2000, any transfer fees collected by the Company have been placed in an escrow account as directed by the Superior Court of Chatham County.

Both the Association and the Company intend to vigorously defend this matter. Absent the certification of a class, it is difficult to place an evaluation on the likelihood of an unfavorable or favorable outcome on this litigation. In the event the outcome of this litigation is unfavorable to the defendants, the Company could be required to return all or a portion of all transfer fees collected. Transfer fees collected through December 31, 2001 totaled $2,869,120 of which $361,931 has been placed in escrow and excluded from the Company's revenue. The likelihood that this situation will have a material impact on the financial statements within the next year is remote, but reasonably possible.

NOTE 10 - Line Of Credit

The Company has an unsecured $330,000 line of credit agreement with SunTrust Bank bearing interest at 0.70% percent over the LIBOR rate. At December 31, 2001 and 2000, no balance was outstanding under this agreement.

The Association has an unsecured $5,000,000 line of credit agreement with Wachovia bearing interest at 1.25% percent over the LIBOR rate. At December 31, 2001 no balance was outstanding under this agreement.

NOTE 11 - Related Party Transactions

The Association entered into a contract with The Landings Club, Inc. ("Club") a separate equity membership entity (all members of which are members of the Association) that owns and operates the golf, tennis, swimming and physical fitness facilities. Under the terms of the agreement, the Association provides lagoon maintenance and security services. The services amounted to $122,071 and $111,640, in 2001 and 2000, respectively. The Association's accounts receivable due from the Club for such services was $8,994 on December 31, 2001. As of December 31, 2000 the Association owed the Club $12,886 for overpayment of such services.

The Company paid $10,176 in 2001 and $15,093 in 2000 to the Club for club expenses of guests of the Company. As of December 31, 2001 and 2000, $2,916 and $7,232, respectively, is due to the Club for such expenses.

In December 1995, the Association entered into a contract with The Landings Yacht Club, Inc. ("Yacht Club"), a separate membership entity (all members of which are members of the Association) that owns and operates the marinas. The Association provided security services to the Yacht Club under a 12-month contract. The contract was discontinued in 2000. As of December 31, 2000 accounts receivable due from the Yacht Club was $228.

In accordance with plan of merger agreement the Association and the Yacht Club will share equally the costs of the merger. As of December 31, 2001 accounts receivable due from the Yacht Club for their share of the expenses was $15,641. (see Note 17)

At December 31, 2000, the Company accrued a payment of $29,866 to the Yacht Club for various community improvements expected to assist in marketing and sales efforts.

NOTE 12 - Guarantee Of Indebtedness Of Others

The Association has guaranteed a bank loan of the Yacht Club in the original amount of $2 million. The Yacht Club was formed primarily to benefit residents of The Landings community. Its facilities are located on land owned by the Association and leased to the Yacht Club for 99 years at a rate of one dollar per year. The Association has subordinated the lease in favor of the lending institution. (see Note 17)

NOTE 13 - Company Long-Term Debt

Debt to Bank - Long-term debt consists of a $325,000 real estate mortgage payable to SunTrust Bank. The mortgage is payable in monthly installments of principal and interest at 0.70% over the LIBOR rate (a fluctuating rate of interest equal to the one month London Interbank Offered Rate) for 15 years with a balloon payment in August 2005. The office building and furniture, fixtures and equipment of the Company secure the mortgage. Long-term debt consists of the following:

	For the year ended December 31, 2001	2000
Long-term debt	$ 250,971	$ 272,638
Less: current portion of long-term debt	21,667	21,667
	$ 229,304	$ 250,971

Maturities of long-term debt for each of the four years succeeding December 31, 2001, are as follows:

For the year ending December 31,	
2002	$ 21,667
2003	21,667
2004	21,667
2005	185,970
	$ 250,971

NOTE 14 - Company Commitments

Commitment - The Company entered into a five-year agreement with Branigar effective February 2, 1998, to remit 1.1 percent of the sales prices of Landings homes and lots purchased by prospective buyers listed on the Branigar lead database. As the organization previously responsible for marketing The Landings, Branigar established this database that was transferred to the Company as part of the agreement. For the years ended December 31, 2001 and 2000, Branigar lead payment expense totaled $65,938 and $71,835, respectively.

Lease obligations - The Company leases office equipment under noncancelable operating leases expiring in various years through 2005. The Company incurred rental expense relating to operating leases of $19,578 and $12,792 for the years ended December 31, 2001 and 2000, respectively.

Minimum annual lease payments are as follows:

For the year ending December 31,	
2002	$ 15,368
2003	15,036
2004	15,036
2005	7,014
	$ 52,454

NOTE 15 - Association Contracts

License Agreement - In 1998, the Association entered into an agreement with BellSouth Personal Communications, Inc., d/b/a BellSouth Mobility DCS, to license a portion of real property to erect and maintain the telecommunications tower. In 2001, the Association entered into similar agreement with Crown Castle to maintain a second tower. Further, both license agreements allow BellSouth Mobility DCS and Crown Castle to sublicense space on the tower to others users. The initial term of the agreement is for five years, under which BellSouth Mobility DCS and Crown Castle will split evenly any annual sublicensing fees with the Association. Further, the license agreement guarantees the Association will receive no less than $100 plus 25 percent of co-location sublicensing fees per month. Additionally, BellSouth Mobility DCS and Crown Castle will pay $600 annually for maintenance obligations that may arise by virtue of the agreement. BellSouth Mobility DCS and Crown Castle has the option to extend this agreement for four consecutive five-year periods. The initial guaranteed amount should increase by 15 percent over the minimum guaranteed amount paid during the prior term during any extension of the term. The Association received licensing revenue of $41,366 and $33,012 relating to these agreements for the years ended December 31, 2001 and 2000, respectively.

Maintenance Agreement - In 1997, the Association, Branigar (as prior owners of The Village) and the Village POA entered into an agreement to maintain Lake Street, West Ridge Street and adjacent common areas in the Village. Starting in 1998, the Village POA agreed to pay a yearly maintenance fee of $5,587, of which a portion is for a road reserve. Under the terms of the agreement, beginning in March 2000 and every third year thereafter, the yearly maintenance fee shall be reevaluated and adjusted. The agreement terminates on March 1, 2022, but may be renewed year to year thereafter unless either party notifies the other party in writing prior to the date set forth in the agreement. The Association received $5,587 relating to this maintenance agreement for the years ended December 31, 2001 and 2000.

Minimum annual payments to be received under these agreements are as follows:

For the year ending December 31,	
2002	$ 25,987
2003	15,787
2004	15,787
2005	15,787
2006	5,587
	$ 78,935

NOTE 16 - Association Commitments

Landscape and Right-of-Way Maintenance Agreement - In August 1999, the Association and Environmental Care, Inc. ("ECI") entered into a five-year agreement to provide landscaping and mowing services. In conjunction with this agreement the Association is leasing the north maintenance facility to ECI for the length of the contract. In 2001, the Association extended the contract for one more year.

Minimum annual payments under this agreement, excluding the lease payments by ECI to the Association, are as follows:

For the year ending December 31,	
2002	$ 805,276
2003	829,434
2004	829,434
2005	829,434
	$ 3,293,578

NOTE 17 – Subsequent Events

As a result of a plan of merger approved by the Association and Yacht Club membership in October 2001, the two entities will merge into one on January 1, 2002. As part of this agreement the Association will assume all of the Yacht Club's debt, which includes a bank loan in the original amount of $2,000,000 and an equipment loan in the original amount of $90,000. In January 2002, the Association paid off the remainder of the equipment loan in the amount of $68,592 and applied $931,408 to the $2,000,000 loan. The terms of the loan remain the same, a loan payment is payable in monthly installments of principal plus interest at 1.22% over the LIBOR rate for 15 years. The remaining balance of the loan is for $901,355.

Supplementary Information
Major Repairs
and Replacements

Supplementary Information on Major Repairs and Replacements

Storm Drain and Flood Water Control Fund & Selected Assets Fund – In 2000, the Association completed a study of the components in these two funds. The study included an engineering review of the costs associated with the cost to repair or replace the components of the storm drain and lagoon system. It is estimated that the total cost of the repair and replacement of the underground drain pipes, catch basins, dikes and manholes in the storm drain system at one time would be $26,141,600. The heavy concrete pipe and pre-formed sections used in the storm drainage system are typically assigned a life of 80 years. The lagoon structures and dikes have useful lives that range from 25 to 40 years. The components in the Selected Asset Fund include six cart bridges that have estimated useful lives that range from 25 to 30 years and a value of $980,000. The three road bridges have estimated useful lives that range from 50 to 80 years and a value of $1,860,000. It is estimated the observation tower has a useful life of 35 years and a value of $40,000. The roof of the administration office is estimated to have a useful life of 20 years and a value of $18,000.

The Association is currently only considering assets that have remaining useful lives of 30 years or less as part of the reserve funding calculation. The average remaining useful life of the assets captured in this calculation is 13 years.

The component method was used to determine the amount necessary to allocate to the fund annually. The total contribution necessary is based on the sum of the contributions for the individual components. Because it is highly unlikely that all the components will fail at one time, the study recommended that transfers to this fund be based on 70% of the value of the entire system.

Transfers were $89,523 in 2001 and $188,625 in 2000, to the Storm Drain and Selected Assets Fund. The fund balance for this fund was $1,472,330 on December 31, 2001 and $1,372,255 on December 31, 2000.

Equipment Reserve – In 1996, the Association approved the establishment of an Equipment Reserve Fund to help stabilize assessment rates in the years when major pieces of equipment would require replacement. The fund reserves 50 percent of the estimated future value of equipment costing more than $50,000. The assets in the fund consist of two street sweepers, a dump truck, a backhoe and a vacuum jetting truck. In 1997, the street sweepers were estimated to have remaining useful lives between 1 and 3 years, and estimated replacement costs of $80,000 each. The dump truck was estimated to have a remaining useful life of four years, and a replacement cost of $40,000. The backhoe and vacuum jetting truck were estimated to have remaining useful lives of five years, and estimated replacement costs of $60,000 and $120,000, respectively.

When calculating the funds required, the following assumptions were made – an inflation rate of three percent, an interest rate of 4.8% and a tax rate of 30 percent. In 2001, it was determined the accumulation of funds was enough to cover the expenditures included in this fund. A transfer of $50,340 was made in 2000. The fund balance of the Equipment Reserve Fund was $188,529 on December 31, 2001 and $182,766 on December 31, 2000.

Road Resurfacing – In 2001, the Association completed a study of roads and trails. The study included an engineering review of the costs associated with the cost to repair and resurface the components of this fund. It is estimated that the total cost of resurfacing the roads at one time would be $4,391,400. The pavement is estimated to have a useful live of 15 to 25 years depending on the road's traffic. It is estimated the total cost of resurfacing the trails at one time would be $672,400 without root barriers. The pavement is estimated to have a useful live of 10 years without a root barrier and 20 years if a root barrier is used.

The Association is currently developing a short and long-term resurfacing schedule based on the engineering study. For 2001, the Association has transferred the amount necessary for resurfacing for the next few years. The component method will be used to determine the amount necessary to allocate to the fund annually once this schedule has been set.

Statements of Revenues & Expenses and Changes in Members' Equity—Reserve funds

	Year Ended December 31, 2001					Year Ended Dec 31 00
	Capital Improvements	Strom Drain & Selected Assets	Equipment Reserve	Road & Trail	Total Reserve Funds	Total All Funds
REVENUES						
Interest earned	$ 959	$ 61,255	$ 7,850	$ 8,467	$ 78,531	$ 76,308
TOTAL	**959**	**61,255**	**7,850**	**8,467**	**78,531**	**76,308**
EXPENSES						
Public works		32,216			32,216	44
General & administrative	29				29	4
Income taxes	154	18,487	2,087	2,870	23,598	25,851
TOTAL	**183**	**50,703**	**2,087**	**2,870**	**55,843**	**25,899**
EXCESS OF REVENUES OVER EXPENSES	**776**	**10,552**	**5,763**	**5,597**	**22,688**	**50,409**
MEMBERS' EQUITY, *January 1*	30,685	1,372,255	182,766	180,000	1,765,706	1,296,299
Transfer of capital projects	(10,421)				(10,421)	(76,514)
Transfer to restricted members' contribution	6,432				6,432	76,547
Transfer to repair & replacement funds		89,523		300,000	389,523	418,965
MEMBERS' EQUITY, *December 31*	**$ 27,472**	**$ 1,472,330**	**$ 188,529**	**$ 485,597**	**$ 2,173,928**	**$ 1,765,706**

NOTE - The accompanying Notes to Financial Statements are an integral part of these financial statements.