1. **Provide a proposed tariff for Burrus Ridge Development.**

   RESPONSE:
   The Company is proposing to provide service to the Burrus Ridge Development using the terms and rates contained in its existing tariff already on file with the TRA.

2. **Please identify the person or entity that will be responsible for funding any plant additions to the current system going forward.**

RESPONSE:

After the developer of Burrus Ridge has completed construction and turned the ownership and operation of the wastewater plant over to Cartwright Creek, LLC, Cartwright Creek, LLC and its manager Sheaffer International, LLC will be wholly responsible for funding any plant additions.

3. **Identify the source of the funding for construction of the wastewater facility at Burrus Ridge and provide the estimated amount of contributed capital to Cartwright Creek, LLC once the system is transferred to Cartwright Creek. If the developer is providing the funding for the construction of the system, provide the name of the developer and a copy of the contract between Cartwright Creek and the developer.**

RESPONSE:

The developer is constructing the wastewater facility and then turning the system over to Cartwright Creek. The developer's staff has begun the process of contractor bidding for installation of the system, which should be completed in early May. In addition, Sheaffer staff is preparing an updated engineering cost estimate, which should be completed mid-April and will be provided to the TRA at that time.

The wastewater system has been designed by Sheaffer International. Sheaffer International will also be responsible for a construction oversight to ensure the system is installed per the plans and specifications. Cartwright Creek and the developer will be negotiating a final agreement during the next month. Once the final agreement is completed, a copy will be provided to the TRA.

The Developer's address is:

Mr. Chip Hellmann
Bear Creek at Burrus Ridge
P.O. Box 1099
White House, TN 37188-1099

4. **When is the wastewater system projected to be completed for the Burrus Ridge Development.**

RESPONSE:

An exact completion date cannot be given since construction cannot begin until after the TRA first gives approval of the Company's Petition. However, the Company expects that the wastewater plant will be completed within six (6) months after approval by the TRA to proceed.

5. **Provide the estimated cost of constructing the wastewater treatment system at Burrus Ridge and supporting documentation.**

RESPONSE:
Please see Company's response to Item 3.

6. **Provide a copy of the plans and specs as provided to the Tennessee Department of Environment and Conservation ("TDEC").**

RESPONSE:

A copy of the requested documents is attached. Also attached are copies of the approved State Operating Permit and the letter from TDEC approving the construction plans and specifications.

STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
401 CHURCH STREET
L & C ANNEX SIXTH FLOOR
NASHVILLE TN 37243-1534

March 15, 2006

Mr. Nathan Hinch
Sheaffer International, L.L.C
800 Roosevelt Road
Glen Ellyn, IL 60317

Re: Robertson County (Burrus Ridge Golf Course Community) Wastewater System
County: Robertson
Water Pollution Control Number 06-0160
Project: Burrus Ridge Golf Course Community

Dear Mr. Hinch:

The Tennessee Department of Environment and Conservation, Division of Water Pollution Control, acknowledges the receipt of four (4) set(s) of construction documents on February 14, 2005.

The project consists of sheaffer modular reclamation and reuse system wastewater reclamation facility for Burrus Ridge Golf Course Community.

Approval is granted in accordance with certain requirements of the Water Quality Control (WQC) Act of 1977 and Regulations of the Water Quality Control Board. **The SITE set of plans and specifications will be stamped with the APPROVAL and APPROVAL EXPIRES STAMPS on the cover sheets only. Any indication of tampering with the bound set of documents will be subject to investigation and prosecution**. One complete set of construction documents, bearing the official stamp, must be kept at the construction site.

Approval expires one year from the stamped approval date unless construction is either underway or complete. Any request for extension must be made prior to this expiration date. Significant deviations from the approved plan documents must be submitted and approved in writing before such changes are made. Minor changes made during construction need not have prior written approval. Modifications, however, may be required by this Department should the changes be deemed inappropriate. It is advisable, therefore to obtain prior approval in cases where the significance of the change is uncertain.

The Division of Water Pollution Control is authorized to inspect the construction work to verify compliance with the approved plans and specifications, which are on the site. **Therefore, the engineer shall notify the Water Pollution Control Office at the Nashville Environmental Assistance Center (615) 6870-7000 of the start of construction**.

Approval of these construction documents should not be construed as a permit for any activities related to this project. Activities which may require a permit under the WQC Act and Regulations include, but are not limited to, the following: streambank vegetation removal; creek crossing(s) for equipment or utility lines; construction within twenty (20) feet of a stream bank; construction in or near a marshy area or wetland, and/or land disturbance greater than one acre. **The Water Pollution Control Office previously referenced should be contacted for determinations regarding whether an Aquatic Resource Alteration Permit (ARAP) and/or a National Pollutant Discharge Elimination System (NPDES) Construction Storm water permit will need to be obtained prior to the beginning of construction of this project.**

To expedite matters, please reference the assigned Water Pollution Control number on any future correspondence. If we may be of any assistance, please contact us at (615) 532-0638.

Sincerely,

M. B. Salehzadeh
Environmental Protection Specialist, Municipal Facilities Section
Division of Water Pollution Control

Enclosures

cc: Robertson County Wastewater System
Nashville Environmental Assistance Center, Water Pollution Control

STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION

APR 0 4 2006

401 CHURCH STREET
L & C ANNEX 6TH FLOOR
NASHVILLE TN 37243-1534

Mr. Bruce Meyer
Engineer
Cartwright Creek LLC/Burrus Ridge Sheaffer System
1565 Thompson's Station Road North
Thompson's Station, TN 37179

Re: State Operating Permit No. SOP-05063
Cartwright Creek LLC/Burrus Ridge Sheaffer System
White House, Robertson County, Tennessee

Dear Mr. Meyer:

In accordance with the provisions of the "Tennessee Water Quality Control Act" (Tennessee Code Annotated Sections 69-3-101 through 69-3-120) the enclosed State Operating Permit is hereby issued by the Division of Water Pollution Control. The continuance and/or reissuance of this Permit is contingent upon your meeting the conditions and requirements as stated therein.

Please be advised that you have the right to appeal any of the provisions established in this State Permit, in accordance with Tennessee Code Annotated, Section 69-3-110, and the General Regulations of the Tennessee Water Quality Control Board. If you elect to appeal, you should file a petition within thirty (30) days of the receipt of this permit.

If you have questions, please contact the Division of Water Pollution Control at your local Environmental Field Office at 1-888-891-TDEC; or, at this office, please contact Mr. Hari Akunuri at (615) 532-0650 or by E-mail at *Hari.Akunuri@state.tn.us*.

Sincerely,

Edward M. Polk, P.E.
Manager, Permit Section
Division of Water Pollution Control

SOP-05063
P/WAT/5S

Enclosure

cc: Division of Water Pollution Control, Permit Section
Division of Water Pollution Control, Nashville Environmental Field Office
Mr. Ron L. Graham, 460 James Robertson Parkway, Nashville, TN 37243
Mr. Bob Cochrane, Chief Financial Officer, 800 Roosevelt Road, Suite B-214, Glen Ellyn, IL 60137

TENNESSEEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER POLLUTION CONTROL
6th Floor, L & C Annex
401 Church Street
Nashville, TN 37243-1534

Permit No. SOP-05063

PERMIT
For the operation of Wastewater Treatment Facilities

In accordance with the provision of Tennessee Code Annotated section 69-3-108 and Regulations promulgated pursuant thereto:

PERMISSION IS HEREBY GRANTED TO

Cartwright Creek LLC/Burrus Ridge Sheaffer System
White House, Robertson County, Tennessee

FOR THE OPERATION OF

effluent collection system, deep cell aerated lagoons and ultraviolet disinfection and spray irrigation system located at latitude 36.449167 and longitude -86.708333 in Robertson County, Tennessee. The design capacity of the system is 0.217 MGD.

This permit is issued as a result of the application filed on October 28, 2005, in the office of the Tennessee Division of Water Pollution Control and in conformity with approved plans, specifications and other data submitted to the Department in support of the above application, all of which are filed with and considered as a part of this permit, together with the following named conditions and requirements.

This permit shall become effective on: May 1, 2006

This permit shall expire on: March 31, 2011

Issuance date: March 31, 2006

Edward M. Polk, Jr.
for **Paul E. Davis**
Director
Division of Water Pollution Control

CN-0759

RDAs 2352 & 2366

PART I

A. GENERAL REQUIREMENTS

The treatment system shall be monitored by the permittee as specified below:

Parameter	Sample Type	Daily Maximum	Sampling Point	Measurement Frequency
Flow	calculated**	report gallons	*	daily
$CBOD_5$	grab	10 mg/l	*	1/month
Ammonia as N	grab	5 mg/l	*	1/month
Total nitrogen as N	grab	15 mg/l	*	1/month
E. coli	grab	23 colonies/100 ml	*	1/month

* effluent to the golf course irrigation holding pond.

**calculated per day via pump run times and pump rates or via continuous measurement

The permittee must disinfect the wastewater in order to meet the above *E. Coli* limit.

Sludge or any other material removed by any treatment works must be disposed of in a manner which prevents its entrance into or pollution of any surface or subsurface waters. Additionally, the disposal of such sludge or other material must be in compliance with the Tennessee Solid Waste Disposal Act, TCA 68-31-101 et seq. and Tennessee Hazardous Waste Management Act, TCA 68-46-101 et seq.

This permit allows the operation of a wastewater spray irrigation system. The operation should be such that there is no contamination of and no direct wastewater discharge to any surface or subsurface stream because of improper irrigation or because of collected pools of water called "ponding". Any runoff due to improper operation must be reported in writing to the Division of Water Pollution Control, Nashville Environmental Field Office within 5 days of the incident. In addition, the spray irrigation system must be operated in a manner preventing the creation of a public health hazard or a public/private nuisance.

Treated domestic wastewater must be used for golf course irrigation and shall not be used for any other use. Prior to operation of the treatment system and spray irrigation system, the permittee must demonstrate an ability to control the operation of the golf course irrigation system by either ownership of the land or long term agreement with the owner of the land for its use as a dedicated disposal site.

As part of the facility operation, the permittee shall maintain sufficient records to demonstrate that any visible ponding on the irrigation plots is the result of natural occurrences and not of improper irrigation. See Part D.2. for more specific reporting requirements.

B. MONITORING PROCEDURES

1. Representative Sampling

Samples and measurements taken in compliance with the monitoring requirements specified above shall be representative of the volume and nature of the monitored discharge, and shall be taken at the following location(s):

Effluent to golf course.

2. Retest Sampling

Whenever a monthly grab sample results in atypical value(s) (see definition) that exceed the effluent limitation(s), the permittee shall resample for the specific parameter(s) within two weeks and provide results of the additional test(s) on the monthly operation report for the monitoring period in which the sample was collected. Values exceeding the effluent limits due to known causes or upsets need not be retested. Refer to part D.3. for additional discussion on reporting requirements.

C. DEFINITIONS

An "atypical value" shall mean a valid laboratory analysis value that is either unexpected for the type of treatment used and/or unexpected because of no known upset of the treatment processes.

The "daily maximum concentration" is a limitation on the average concentration, in milligrams per liter, of the discharge during any calendar day.

A "grab sample" is a single influent or effluent sample collected at a particular time.

"Month" means a calendar month.

"Overflow" means the discharge of wastes from any portion of the collection, transmission, or treatment system other than engineered spray fields at appropriate hydraulic and/or nitrogen loading rates and at authorized setbacks from drains, waters of the state, and property lines.

D. REPORTING

1. Monitoring Results

Monitoring results shall be recorded monthly and submitted monthly. Submittals shall be postmarked no later then 15 days after the completion of the reporting period. A copy should be retained for the permittee's files. Operation reports and any communication regarding compliance with the conditions of this permit must be sent to:

Division of Water Pollution Control
Nashville Environmental Field office
711 R.S. Gass Boulevard
Nashville, TN 37243-1550

The first operation report is due on the 15th of the month following the month of permit effectiveness.

For the initial months of operation where the aerated treatment lagoons are filling and there is zero discharge to the spray fields, the permittee shall report "no discharge to the spray fields – monitoring not required", or equivalent, on the monthly operating report.

2. Additional Monitoring by Permittee

The permittee shall maintain records of its spray irrigation controls. The records shall include daily data collected for temperature, rainfall and wind sensors and stored in the central contoller(s) for the irrigation system. This data shall be included in the monthly operation report submitted to the division and should be presented in a format that readily compares the weather and soil data with discharges to the spray fields by date. Additionally, a copy of such records must be maintained onsite for the number of years applicable to other wastewater monitoring and reporting records or not less than three (3) years.

If the permittee monitors any pollutant at the location(s) designated herein more frequently than required by this permit, using approved analytical methods as specified in 1200-4-5-.07(4)(h)2, the results of such monitoring shall be included in the calculation and reporting of the values required in the Quarterly Operation Report. Such increased frequency shall also be indicated.

3. Retest Reporting

The permittee shall detail both the values of any atypical monitoring result(s) and the associated retest(s) in the monthly operating reports. The details may be in the same report or consecutive monthly reports depending on the month of effluent sampling. Details for the retest action shall identify the cause of the atypical value(s) if known or otherwise state that the cause is undetermined.

4. Overflow Reporting

A summary report of known or suspected instances of overflows in the collection system shall accompany the Monthly Operation Report (MOR). The report must contain the date and duration of the instances of overflow, the estimated quantity of wastewater discharged, and the location of the overflow.

5. Falsifying Reports

Knowingly making any false statement on any report required by this permit may result in the imposition of criminal penalties as provided for in Section 69-3-115 of the Tennessee Water Quality Control Act.

E. SCHEDULE OF COMPLIANCE

Full operational level shall be attained from the effective date of this permit.

PART II

A. GENERAL PROVISIONS

1. Duty to Reapply

The permittee is not authorized to discharge after the expiration date of this permit. In order to receive authorization to discharge beyond the expiration date, the permittee shall submit such information and forms as are required to the Director of Water Pollution Control (the "Director") no later than 180 days prior to the expiration date.

2. Right of Entry

The permittee shall allow the Director, or authorized representatives, upon the presentation of credentials:

a. To enter upon the permittee's premises where an effluent source is located or where records are required to be kept under the terms and conditions of this permit, and at reasonable times to copy these records;

b. To inspect at reasonable times any monitoring equipment or method or any collection, treatment, pollution management, or discharge facilities required under this permit; and

c. To sample at reasonable times any discharge of pollutants.

3. Availability of Reports

All reports prepared in accordance with the terms of this permit shall be available for public inspection at the offices of the Division of Water Pollution Control.

4. Proper Operation and Maintenance

The permittee shall at all times properly operate and maintain all facilities and systems (and related appurtenances) for collection and treatment which are installed or used by the permittee to achieve compliance with the terms and conditions of this permit. Proper operation and maintenance also includes adequate laboratory and process controls and appropriate quality

assurance procedures. This provision requires the operation of backup or auxiliary facilities or similar systems which are installed by a permittee only when the operation is necessary to achieve compliance with the conditions of the permit. Backup continuous pH and flow monitoring equipment are not required.

The monitoring frequency stated in this permit shall not be construed as specifying a minimum level of operator attention to the facility. The permittee shall ensure that the certified operator is in responsible charge of the facility and observes the operation of the system frequently enough to ensure its proper operation and maintenance regardless of the effluent monitoring frequency stated in the permit."

b. Dilution water shall not be added to comply with effluent requirements

5. Property Rights

The issuance of this permit does not convey any property rights in either real or personal property, or any exclusive privileges, nor does it authorize any injury to private property or any invasion of personal rights, nor any infringement of Federal, State, or local laws or regulations.

6. Severability

The provisions of this permit are severable. If any provision of this permit due to any circumstance, is held invalid, then the application of such provision to other circumstances and to the remainder of this permit shall not be affected thereby.

7. Other Information

If the permittee becomes aware that he failed to submit any relevant facts in a permit application, or submitted incorrect information in a permit application or in any report to the Director, then he shall promptly submit such facts or information.

B. CHANGES AFFECTING THE PERMIT

1. Planned Changes

The permittee shall give notice to the Director as soon as possible of any planned physical alterations or additions to the permitted facility.

2. Permit Modification, Revocation, or Termination

a. This permit may be modified, revoked and reissued, or terminated for cause as described in section 69-108-(F) The Tennessee Water Quality Control Act as amended.

b. The permittee shall furnish to the Director, within a reasonable time, any information which the Director may request to determine whether cause exists for modifying,

revoking and reissuing, or terminating this permit, or to determine compliance with this permit. The permittee shall also furnish to the Director, upon request, copies of records required to be kept by this permit.

3. Change of Ownership

This permit may be transferred to another person by the permittee if:

a. The permittee notifies the Director of the proposed transfer at least 30 days in advance of the proposed transfer date;

b. The notice includes a written agreement between the existing and new permittees containing a specified date for transfer of permit responsibility, coverage, and liability between them; and

c. The Director, within 30 days, does not notify the current permittee and the new permittee of his intent to modify, revoke or reissue, or terminate the permit and to require that a new application be filed rather than agreeing to the transfer of the permit.

4. Change of Mailing Address

The permittee shall promptly provide to the Director written notice of any change of mailing address. In the absence of such notice the original address of the permittee will be assumed to be correct.

C. NONCOMPLIANCE

1. Effect of Noncompliance

Any permit noncompliance constitutes a violation of applicable State laws and is grounds for enforcement action, permit termination, permit modification, or denial of permit reissuance.

2. Reporting of Noncompliance

a. 24-Hour Reporting

In the case of any noncompliance which could cause a threat to public drinking supplies, or any other discharge which could constitute a threat to human health or the environment, the required notice of non-compliance shall be provided to the appropriate Division environmental assistance center within 24 hours from the time the permittee becomes aware of the circumstances. (The environmental field office should be contacted for names and phone numbers of emergency response personnel.)

A written submission must be provided within five days of the time the permittee becomes aware of the circumstances unless this requirement is waived by the Director on a case-by-case basis. The permittee shall provide the Director with the following information:

i. A description of the discharge and cause of noncompliance;

ii. The period of noncompliance, including exact dates and times or, if not corrected, the anticipated time the noncompliance is expected to continue; and

iii. The steps being taken to reduce, eliminate, and prevent recurrence of the non complying discharge.

b. Scheduled Reporting

For instances of noncompliance which are not reported under subparagraph 2.a. above, the permittee shall report the noncompliance on the Quarterly Operation Report. The report shall contain all information concerning the steps taken, or planned, to reduce, eliminate, and prevent recurrence of the violation and the anticipated time the violation is expected to continue.

3. Overflow

a. "***Overflow***" means the discharge to land or water of wastes from any portion of the collection, transmission, or treatment system other than through permitted outfalls.

b. Overflows are prohibited.

c. The permittee shall operate the collection system so as to avoid overflows. No new or additional flows shall be added upstream of any point in the collection system, which experiences chronic overflows (greater than 5 events per year) or would otherwise overload any portion of the system.

d. Unless there is specific enforcement action to the contrary, the permittee is relieved of this requirement after: 1) an authorized representative of the Commissioner of the Department of Environment and Conservation has approved an engineering report and construction plans and specifications prepared in accordance with accepted engineering practices for correction of the problem; 2) the correction work is underway; and 3) the cumulative, peak-design, flows potentially added from new connections and line extensions upstream of any chronic overflow point are less than or proportional to the amount of inflow and infiltration removal documented upstream of that point. The inflow and infiltration reduction must be measured by the permittee using practices that are customary in the environmental engineering field and reported in an attachment to a Monthly Operating Report submitted to the local TDEC Environmental Field Office. The data measurement period shall be sufficient to account for seasonal rainfall patterns and seasonal groundwater table elevations.

e. In the event that more than 5 overflows have occurred from a single point in the collection system for reasons that may not warrant the self-imposed moratorium or completion of

the actions identified in this paragraph, the permittee may request a meeting with the Division of Water Pollution Control EFC staff to petition for a waiver based on mitigating evidence.

4. Upset

a. "***Upset***" means an exceptional incident in which there is unintentional and temporary noncompliance with technology-based effluent limitations because of factors beyond the reasonable control of the permittee. An upset does not include noncompliance to the extent caused by operational error, improperly designed treatment facilities, inadequate treatment facilities, lack of preventive maintenance, or careless or improper operation.

b. An upset shall constitute an affirmative defense to an action brought for noncompliance with such technology-based permit effluent limitations if the permittee demonstrates, through properly signed, contemporaneous operating logs, or other relevant evidence that:

i. An upset occurred and that the permittee can identify the cause(s) of the upset;

ii. The permitted facility was at the time being operated in a prudent and workman-like manner and in compliance with proper operation and maintenance procedures;

iii. The permittee submitted information required under "Reporting of Noncompliance" within 24-hours of becoming aware of the upset (if this information is provided orally, a written submission must be provided within five days); and

iv. The permittee complied with any remedial measures required under "Adverse Impact."

5. Adverse Impact

The permittee shall take all reasonable steps to minimize any adverse impact to the waters of Tennessee resulting from noncompliance with this permit, including such accelerated or additional monitoring as necessary to determine the nature and impact of the noncomplying discharge. It shall not be a defense for the permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

6. Bypass

a. "***Bypass***" is the intentional diversion of wastewater away from any portion of a treatment facility. "Severe property damage" means substantial physical damage to property, damage to the treatment facilities which would cause them to become inoperable, or substantial and permanent loss of natural resources which can reasonably be expected to occur in the absence of a bypass. Severe property damage does not mean economic loss caused by delays in production.

b. Bypasses are prohibited unless all of the following 3 conditions are met:

i. The bypass is unavoidable to prevent loss of life, personal injury, or severe property damage;

ii. There are no feasible alternatives to bypass, such as the construction and use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition is not satisfied if adequate back-up equipment should have been installed in the exercise of reasonable engineering judgment to prevent a bypass, which occurred during normal periods of equipment downtime or preventative maintenance;

iii. The permittee submits notice of an unanticipated bypass to the Division of Water Pollution Control in the appropriate Environmental Field Office within 24 hours of becoming aware of the bypass (if this information is provided orally, a written submission must be provided within five days). When the need for the bypass is foreseeable, prior notification shall be submitted to the director, if possible, at least 10 days before the date of the bypass.

c. Bypasses not exceeding permit limitations are allowed **only** if the bypass is necessary for essential maintenance to assure efficient operation. All other bypasses are prohibited. Allowable bypasses not exceeding limitations are not subject to the reporting requirements of 6.b.iii, above.

7. Washout

a. For domestic wastewater plants only, a "washout" shall be defined as loss of Mixed Liquor Suspended Solids (MLSS) of 30.00% or more. This refers to the MLSS in the aeration basin(s) only. This does not include MLSS decrease due to solids wasting to the sludge disposal system. A washout can be caused by improper operation or from peak flows due to infiltration and inflow.

b. A washout is prohibited. If a washout occurs the permittee must report the incident to the Division of Water Pollution Control in the appropriate Environmental Field Office within 24 hours by telephone. A written submission must be provided within five days. The washout must be noted on the discharge monitoring report. Each day of a washout is a separate violation.

D. LIABILITIES

1. Civil and Criminal Liability

Nothing in this permit shall be construed to relieve the permittee from civil or criminal penalties for noncompliance. Notwithstanding this permit, the permittee shall remain liable for any damages sustained by the State of Tennessee, including but not limited to fish kills and losses of aquatic life and/or wildlife, as a result of the discharge of wastewater to any surface or subsurface waters. Additionally, notwithstanding this Permit, it shall be the responsibility of the permittee to conduct its wastewater treatment and/or discharge activities in a manner such that public or private nuisances or health hazards will not be created.

2. Liability Under State Law

Nothing in this permit shall be construed to preclude the institution of any legal action or relieve the permittee from any responsibilities, liabilities, or penalties established pursuant to any applicable State law.

PART III
OTHER REQUIREMENTS

A. CERTIFIED OPERATOR

The waste treatment facilities shall be operated under the supervision of a Biological Natural System operator and the collection system operated under the supervision of a Grade I Collection System certified operator in accordance with the Water Environmental Health Act of 1984.

B. PLACEMENT OF SIGNS

The permittee shall place a sign at all approaches to golf course. The sign should be clearly visible to the public. The minimum sign size should be two feet by two feet (2' x 2') with one inch (1") letters. The sign should be made of durable material and have a white background with black letters.

TREATED DOMESTIC WASTEWATER
SPRAY IRRIGATED GOLF COURSE
(PERMITTEE'S NAME)
(PERMITTEE'S PHONE NUMBER)
TENNESSEE DIVISION OF WATER
POLLUTION CONTROL
Nashville Environmental Field Office
PHONE NUMBER: 1-888-891-8332

No later than sixty (60) days from the effective date of the permit, the permittee shall have the above sign(s) on display in the location specified.

D. ADDITION OF WASTE LOADS

The permittee may not add wasteloads to the existing treatment system without the knowledge and approval of the division.

REQUIREMENTS FOR MAKING A PERMIT APPEAL

Permit Appeal (Tennessee Department of Conservation, Chapter 1200-4-1.05(6), and T.C.A. Section 69-3-110)

1. Petitions must be made within 30 days of the receipt of the final permit.

2. Petitions shall contain the following:

   (a) The name, mailing address, and telephone number of the person mailing the request and the names and addresses of all persons he or she represents;

   (b) A clear and concise statement of each legal or factual matter alleged to be issue; and

   (c) Specific reference to each permit condition which the petitioner contests. The petitioner may suggest alternate permit terms which would meet the requirements of the Water Quality Control Act; if the petitioner challenges permit conditions which are justified in the fact sheet (or Rationale), the petitioner should indicate how the basis for the permit condition is in error or indicate why an alternate condition is necessary.

3. Petitions should be addressed to the Water Quality Control Board and filed in duplicate at the following address: Paul E. Davis, Director; Division of Water Pollution Control; Department of Environment and Conservation; 401 Church Street; L&C Annex, Sixth Floor; Nashville, Tennessee 37243-1534.

4. The appeal of a permit or a permit condition has the effect of staying the contested provisions. Therefore, if a permit is being reissued, the permittee will be considered to be authorized under the terms of the old permit and/or any unappealed terms of the reissued permit. If it is a new permit, the applicant will be considered to be without a permit for the activity until final agency action.

E8060092-D4WPC1

7. **Provide a copy of the letter from TDEC authorizing or approving the design and construction of the Sheaffer Sludge Elimination System.**

RESPONSE:

The Company objects to the form of the question in that it calls for information that is not contained within the subject of this docket. However, without removing its objection, the Company states the following.

Sheaffer has not submitted a permit application to TDEC for the Sludge Elimination System. We have received the attached letter from TDEC stating that the system can indeed be permitted in Tennessee, given submittal of the proper application

A Sheaffer Sludge Elimination System is currently being designed for the Cartwright Creek facility in the Grasslands area. The work underway also includes an Engineering Report and permit application that will be submitted to TDEC. Our target date for this submittal is early June 2006. Our target date for completion of construction is the end of 2006.

STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
401 CHURCH STREET
L & C ANNEX SIXTH FLOOR
NASHVILLE TN 37243

February 17, 2006

Dr. John R. Sheaffer, Chairman
Cartwright Creek LLC
800 Roosevelt Road
Building B, Suite 214
Glen Ellyn, IL 60137

Re: Sheaffer Sludge Elimination System

Dear Dr. Sheaffer:

On January 23, 2006, the Tennessee Department of Environment and Conservation, Division of Water Pollution Control received from you a packet of information concerning the Sheaffer Sludge Elimination System. This sludge treatment system involves the treatment of sludge using aerobic and anaerobic conditions.

We have completed our review of this submittal and have determined that this type of treatment process can be designed and constructed for use at the Cartwright Creek LLC wastewater treatment plant in the Grassland Area of Williamson County. Please be advised the following provisions shall be followed:

The approval of the division is valid only for this application.
2. This project shall be designed specifically for the conditions of this plant and will be designed to achieve compliance with the appropriate sludge regulations. The technical submittals shall include an engineering report in which the design calculations (equations, assumptions, calculations, etc.) are clearly presented. A professional engineer that is licensed to practice engineering in Tennessee shall stamp the engineering report and subsequent construction plans and specifications. The submittal shall include all phases of the project.
3. The division will be notified when the construction of this system begins and when the construction is complete.
4. Monitoring of the system once the system is operational will be required.
5. The existing sludge processing facility will be maintained in operational condition during construction and during the start-up of the new system.

If you have any questions concerning this correspondence or if we may be of any further assistance, please feel free to contact me either by phone at 615/532-0358 or by email at *Phil.Simmons@state.tn.us*.

Sincerely

Philip M. Simmons

Philip M. Simmons, P.E.
Manger, Municipal Facilities Section
Division of Water Pollution Control

DE EI
FEB 2 0 2006
By

8. **The Petition filed on September 22, 2004 in Docket No. 04-00307 stated that the buyer intends to inject significant capital to renovate current facilities, improve the quality and efficiency of services offered to customers, and with the appropriate approval extend the updated facilities and improved services to additional customers. Provide the amounts by month of the capital injected since the Transfer of Authority was approved on December 10, 2004.**

RESPONSE:

The Company objects to the form of the question in that it calls for information that is not contained within the subject of this docket. However, without removing its objection, the Company states the following.

The transfer of authority from Cartwright Creek Utility Company to Cartwright Creek, LLC was made on January 1, 2005, which was within 30-days of the final approval of the transaction by the TRA. At the original time of application for transfer, Sheaffer International, LLC had an agreement with the pending purchaser of a nearby golf course, Old Natchez County Club, to locate a Sheaffer System on the golf course that would ultimately serve 1,000 new customers (See attached agreement with Executive Golf).

Sheaffer engaged the services of Tim Nugent, a principal at the firm Nugent Golf, a Vernon Hills, Illinois based golf course architectural firm, to develop a plan for improvements to the existing course, incorporating the proposed Sheaffer facility. In early 2005, the contract purchaser of the facility, Executive Golf Partners, was unable to complete the transaction with the existing owner of Old Narchez Country Club, and as a result, Sheaffer International LLC had to cancel its plans to replace the existing facility (See copy of attached letter from Tim Nugent).

Subsequently, Sheaffer International, LLC as manager of the wastewater system, deployed its engineering staff to assess the underlying cause behind some of the in-depth problems regarding the operational capabilities of the existing treatment and collection systems. Since early 2005, our engineers have spent many hours evaluating the existing condition of the current system, especially the collection system and the severe infiltration and inflow of ground or surface water (I&I).

In early 2005 we obtained the 2003 videos of the collection system, and through extensive review of these videos, have now identified the most visible sources of I&I. We then reviewed potential methods to fix the problems and obtained contractor bids to address the worst section of pipe and televise other key sections that were omitted from the 2003 work.

When it became apparent that replacement of the existing treatment system with a Sheaffer Reclamation and Reuse System was not feasible, our engineers spent additional time reviewing the condition of the existing wastewater treatment system. They determined that the maintenance requirements are more extensive

than originally anticipated. In the next few months we will be developing a complete scope and cost estimate for a solution to this issue.

The above work has used approximately 400 hours of our Chief Engineer's time, 32 hours of our construction manager's time coordinating some significant repairs made to the facility, and 24 hours of engineering support time. Sheaffer International, LLC has contributed this time at a value of $45,600 without billing Cartwright Creek, LLC for the cost.

In early 2006, we began the design of the sludge elimination system, including soil borings. Sheaffer International, LLC expects to complete construction plans and specifications for this system by the end of May 2006 and complete construction by the end of 2006.

DRAFT: Confidential

Term Sheet for the transfer of ownership of the Cartwright Creek Utility District to Executive Golf Partners, Inc. from Sheaffer International, Inc. and the establishment of Executive Golf Partners Development, LLC

September 22, 2004

It is the intention of Executive Golf Partners (EGP) and Sheaffer International to enter into an agreement that will provide a 39% ownership position of the Cartwright Creek Utility District (CCUD) to EGP from the current owner, Sheaffer International. The following bullet items outline a proposed set of terms that have been agreed to between both parties.

Sheaffer currently owns 90% of the Cartwright Creek Utility district and the Smith Brothers own 10%.

The transfer of ownership will take place in two stages. The first ownership transfer will take place on November 15th, 2004. At this time EGP will begin making monthly installments of $80,000 over a five month timeframe in equal monthly installments. The total cash paid ending March 15th 2005 will be $400,000. This will result in a 20% ownership position in the utility by EGP. This money will be used to make all state applications and prepare the modification necessary to both CCUD and the Old Natchez Country club (ONCC).

The second transfer of ownership will occur when EGP provides an irrevocable $1,000,000 line of credit to insure the completion of the improvements necessary for the CCUD. (This is for the installation of a Sheaffer system and modifications to the Old Natchez Country Club owned by EGP). Upon presentation of the letter of credit, Sheaffer will transfer an additional 19% ownership of CCUD to EGP. This letter of credit does not need to be in place until August 2005.

Both Sheaffer International and EGP acting in their capacity of the majority shareholders of the CCUD will begin drafting documents immediately, with the objective to obtain a $6 million utility bond with the State of Tennessee. This bond will be used to make the improvements to the Old Natchez Country Club and the CCUD infrastructure so that the capacities of service can be implemented.

Upon approval of the bond by the State of Tennessee, the construction at both ONCC and CCUD will begin. It is the goal of both Sheaffer and EGP to start the improvements in the 4th quarter of 2005.

It is understood by both Sheaffer and EGP that once the capital contribution of $400,000 and the presentation of the $1,000,000 letter of credit, the ownership of the CCUD will be as follows.

- Sheaffer: 51%
- EGP: 39%
- Smith Bros: 10%

It is understood by both Sheaffer and ECP that the profits generated from the sale of taps and ongoing monthly connections will be split as follows

- Sheaffer: 50%
- EGP: 40%
- Smith Bros: 10%

It is understood that after 50 taps per year (for ten years) are allocated to the Smith Brothers as part of their sales agreement, all future taps will be under the control of EGP. This includes pricing and release to potential developers. This control only applies to taps within the CCUD territory and the entire state of Tennessee. 50/50

Both parties understand that the control of taps does not affect the profit share outlined earlier in this document.

As condition to obtain the global marketing rights of the use of the Sheaffer system in residential developments that utilize a golf course, EGP will establish a new company, Executive Golf Partners Development (EGPD). EGPD will be a LLC company with two shareholders. The two share holders will be EGP and Sheaffer. The ownership of this LLC will be as follows

- EGP: 70% 50
- Sheaffer 30% 50

It is understood that both EGP and Sheaffer may elect to allocate 5% shares (each) to others that they feel can contribute to the venture.

The purpose of this LLC is to provide a vehicle that will allow the purchase or option of land that is part or adjacent to courses that EGP may purchase as part of its current business strategy. Their approach is to find courses that can be acquired or managed that are lacking residential development as part of the course. By utilizing a Sheaffer system for course irrigation, residential development may be possible with these courses. EGPD will aggressively evaluate the purchase of the land adjacent or part of the course for development

purposes. EGPD will also evaluate the need to partner with outside developers to achieve the completion of a residential development.

All profits generated by EGPD will be distributed according the ownership positions outlined above.

Both EGP and Sheaffer agree that the ownership position in EGPD will only occur upon the completion of the transfer of 39% ownership of CCUD to EGP. In addition, the EGPD ownership position of Sheaffer will require the execution of a global marketing agreement for Sheaffer Systems to EGP for golf and residential development.

If it is determined that EGP is unable to provide the $1,000,000 letter of credit for the CCUD by August 31, 2005 they will notify Sheaffer in writing 30 days prior to the expiration of the August date. It is understood that they will keep their 20% ownership of the CCUD.

In the event that the members of EGPD vote to sell EGPd's marketing rights to the Sheaffer system to an interested third party, the members agree that they will split the proceeds from the sale equally 50/50. EGPD will allow Sheaffer a right of first refusal to these rights.

Sheaffer agrees to a transfer price of cost plus 10% to EGPD for the installation of a Sheaffer systems used by EGPD as long as Sheaffer remains an owner of EGPD.

Agreed to and Accepted this day of September 2004 by:

Jeff Wine
Chairman/CEO
Executive Golf Partners, Inc

Jack Sheaffer
CEO
Sheaffer International

Mailing address
1242 Old Hillsboro Road
Franklin, TN 36064

Mailing address

Nugent Golf Inc.

Golf Course Architecture
& Management

June 9, 2004

Mr. Jack Sheaffer
Sheaffer International
800 Roosevelt Rd. Bldg B #200
Glen Ellyn, Illinois 60137

Dear Jack,

Pursuant to our meeting, I have prepared a conceptual plan to demonstrate the ability of the golf course to be modified to create two treatment cells and one storage cell. The site in question appears to be a par 70 golf course situated on a relatively small parcel. To maintain the integrity of the current course, the routing should be left intact to the furthest extent possible. Due to the fact that most of the holes are short to medium in length with respect to par and that there is one more par three and one less par five than standard regulation, no holes should be shortened.

After reviewing the limited base material, it appears from USGS 20' mapping that the river flows east to west and the land of the course also slopes in that direction. Additionally, the clubhouse sits atop a 20' ridge and the land also slopes another 20' from it south to the river. It appears that the river has a confined channel and is well below the course. Therefore, it is assumed that there is not any regulatory flood plain/floodway issues.

The goal of this study was to determine how best to seamlessly incorporate the treatment and storage system into the golf course. Since there already are several ponds and a lake on the course, the most prudent course of action would be to enlarge and deepen these to achieve our goal. However, a review of the USGS soil maps indicate that bedrock may be relatively close to the surface. This would limit the depth achievable by excavation. Hence, the volumes needed would be achieved by using the excavated material to fill around the lakes. Several holes may also need to raised in order to blend with this new topography, especially if the strategy of the hole incorporates playing over the water.

A second option would be to excavate the rock. If this is allowable (due to the nearness of existing houses) it would yield the greatest volume of storage per surface area as the walls could be vertical. Additionally, when the storage lake was drawn down, the resulting aesthetic would be that of a quarry - quite a dramatic look that lot of high end courses spend a great deal of money to achieve.

A third option would be to incorporate the current practice range into the storage lake. Since the clubhouse has for an overview, a large expanse of water would be aesthetically pleasing. There are balls that are designed to float, so the range wouldn't be forfeit, players would just hit into the lake verses into a mown field. Care would need to exercised in designing this option (which may be incorporated into either of the first two scenarios) to achieve a satisfactory low-water aesthetic.

When we have more finite topographical information, these concepts can be further examined in order to arrive at the best solution to achieve a harmonious blending of the course and the system.

Sincerely,

Nugent Golf Inc.

Timothy Nugent ASGCA
President

2062 Broadmoor Lane, Vernon Hills, Illinois 60061-4564
***tel.* 847/680-0482 *e-mail* nugentgolf@sbcglobal.net**

9. When is it expected that TDEC will approve the technology to eliminate all waste hauling expenses? It is stated on page 7 of the testimony filed in the current docket that the new technology is still awaiting authorization from TDEC to implement this technology within the state. Cartwright Creek was also waiting on this technology to be approved based on the testimony filed in Docket No. 04-00358 on October 15, 2004. Please explain the cause of the delay in approval. If this technology has now been approved, please provide supporting documentation. If not yet approved, once approval is received, how long before construction of the facility will begin? How long before operation of the facility will begin?

RESPONSE:

The Company objects to the form of the question in that it calls for information that is not contained within the subject of this docket and to a large extent is outside the control of the Company. However, without removing its objection, the Company states the following.

Please see the response to Item 7. There has been no delay in approval. During 2005, Sheaffer International, LLC staff and a local university completed extensive testing of a pilot unit at a wastewater treatment facility in Illinois. This showed that the Sludge Elimination System was technically feasible and cost effective. We then began the process of selecting a site for the full-scale unit. Due to our management of Cartwright Creek, the most feasible site was the existing Cartwright Creek facility. Since then, we have conducted soil borings and begun the detailed design process mentioned in the response to Item 7.

10. Has the Waterbridge facility, in the area known as PGA 5, in Docket No. 04-00358, approved by Order dated July 12, 2005, been completed? If so, how many tap fees have been collected to date? If not yet operational, please explain the reason for the delay and an estimated date of completion and commencement of operations.

RESPONSE:

The Company objects to the form of the question in that it calls for information that is not contained within the subject of this docket. However, without removing its objection, the Company states the following.

Although the TDEC permits for the wastewater system at Waterbridge have been approved for over one year, the construction of the homes and the wastewater plant for the Waterbridge development have not yet begun. We have not been informed of the details, but it is our understanding that the Waterbridge developers are currently involved in a legal proceeding in Williamson County. We can provide no estimate at this time on the expected dates for the wastewater plant completion and commencement of operations.

11. **The Income Statement presented with this Petition has $22,005 as Depreciation expense. The Depreciation expense presented on the Income Statement for year-end 2004 and the budgeted amount for 2005 through 2008 in Docket No. 04-00358 was $83,103. Explain the reasons for the significant difference in amount.**

RESPONSE:

The Depreciation expense contained in this petition included only a partial year of the depreciation expense associated only with the current Cartwright Creek facility located in the Grasslands area of Williamson County. The depreciation expense provision contained in the Pro-Forma Income and Expense for the periods for 2005 and 2008 were inclusive of amounts associated with the proposed Sheaffer System scheduled to serve the Waterbridge Development. As described in Item 10, a dispute between the existing land owner and one of its lenders has delayed the commencement of construction at the Waterbridge facility. However, these budgeted numbers incorporated the assumption that this facility would be operational and therefore resulted in a difference for depreciation expense.

12. Identify all permit violations issued by any state agency such as TDEC and federal regulatory agencies involving your company or affiliated entities since December 10, 2004. Identify the nature of the permit violation, which governmental agency or office issued the permit violation and how the permit violation was resolved.

RESPONSE:

The North Fork Sheaffer Modular Reclamation and Reuse System (the "North Fork System"), located in Timberville, Virginia, is the only facility involving Sheaffer International or any of its affiliated entities that has incurred permit violations since December 10, 2004. The North Fork System is owned by SIL Cleanwater, L.L.C, a Delaware limited liability company ("SIL Cleanwater"), which is wholly owned by Sheaffer International, L.L.C. SIL Cleanwater holds National Pollutant Discharge Elimination System ("NPDES") permit number VA0090263 for the North Fork System. The facility is designed to treat 1.923 million gallons per day ("MGD") of wastewater from the towns of Broadway and Timberville, Virginia, and from two poultry processing plants owned and operated by Pilgrim's Pride Corporation and Cargill Foods. Approximately 81% of the current plant influent flow is poultry processing wastewater, which contains higher concentrations and mass quantities of pollutants such as Biological Oxygen Demand ("BOD"), Total Suspended Solids ("TSS"), Total Nitrogen, and Total Phosphorus. In addition, the poultry processing companies use chemicals at their plant which can be harmful to the wastewater treatment process, and from time to time cause upset events.

SIL Cleanwater's permit was renewed in 2004. As renewed, the permit now includes annual mass loading limitations at effluent discharge for Total Nitrogen and Total Phosphorus. In addition to the treatment facility, SIL Cleanwater operates and maintains three influent pump stations. One of the pump stations overflows during heavy rain events, due to infiltration and inflow ("I&I"). Another of the pump stations has overflowed twice since December 2004, due to malfunction of a flow control device.

The permit violations at the North Fork System since December 2004 are as follows:

Effluent Limitation Violations:

- December 2004
    - Exceeded Total Phosphorus annual loading maximum limit
    - Exceeded Ammonia concentration maximum and average limits
- January 2005
    - Exceeded Ammonia concentration average limit
    - Exceeded Total Phosphorus annual loading maximum limit
- February - December 2005
    - Exceeded Total Phosphorus annual loading maximum limit

- July – December 2005
    - Exceeded Total Nitrogen annual loading maximum limit

Influent Pump Station Overflow Violations:

- June 2005
    - Overflow of approximately 7,800 gallons at the Cargill Pump Station, due to malfunction of a flow control flotation device
- August 2005
    - Overflow of approximately 50,000 gallons at Cargill Pump Station, due to malfunction of a flow control flotation device
    - Overflow of unknown amount at Timberville Pump Station, due to heavy rains and infiltration and inflow ("I&I")

In addition, SIL received a notice of violation in May 2005 for exceedance of Plant Available Nitrogen ("PAN") applied to one of the irrigation fields, due to excessive fertilizer of the private individual farming the field. In July 2005, SIL Cleanwater received a notice of violation for missing the deadline for submitting the required Discharge Monitoring Report ("DMR").

SIL Cleanwater received an "Order for Compliance from the United States Environmental Protection Agency ("USEPA") in December 2005 and is currently implementing a corrective action plan to address these violations with USEPA.

13. Provide a statement that details any and all improvements to facilities by system made by Cartwright Creek, LLC since December 10, 2004.

RESPONSE:

See Company response to Item 8.

14. Provide details of TDEC permit violations, limitations, moratoriums, etc. associated with the high infiltration and inflow situation. What is being done presently to resolve the situation and the financial impact that is expected from the National Pollutant Discharge Elimination System (NPDES) permit renewal associated with the requirement of the Infiltration and Inflow control program.

RESPONSE:

The Company objects to the form of the question in that it calls for information that is not contained within the subject of this docket. However, without removing its objection, the Company states the following.

There are two parts, in our opinion, to the above question. The first concerns the infiltration and inflow in the existing Cartwright Creek sewer system. The second involves the potential requirements for our Cartwright Creek system's discharge permit renewal later this year.

The 30 year-old Cartwright Creek sewer system has severe infiltration and inflow (I&I) issues. The plant is designed for 250,000 gpd. On dry days the influent averages 300,000+ gpd. When it rains significantly, the flow is even higher. Since our current permit only limits the nutrients contained in our discharge and not the actual flow, because our treatment system is managed properly, the actual occurrence of nutrients being above our permitted limits are rare. For example, in 2005, we had three days were the nutrient loading exceeded the permit limits. But we fully realize that the I&I must be addressed.

Approximately 75% of the sewer system was televised in 2003. We have reviewed the videos and identified what appears to be the section of sewers with the most severe leaks. We have obtained bids for the repairs of this section (over $100,000) and we intend to complete this repair during 2006. Based upon the flow improvement that we observe after these repairs are completed, we will then determine what steps need to be taken next.

Additionally, the treatment system at Cartwright Creek is 30+ years old and in need of major renovation. Sheaffer engineers will be evaluating the scope and cost of the required upgrades to the treatment system over the next six months.

Finally, we are preparing a renewal permit application for our NPDES permit, which has a renewal date of November 2006. No additional permit requirements have been conveyed to us by TDEC as of this date. We will evaluate the technical and cost impacts of any additional requirements, once this permit is received.

15. Provide a list of the property owners in the area that have expressed a willingness to partially contribute to some of the repairs for Infiltration and Inflow as stated on page 5 of your testimony in Docket No. 06-00062.

RESPONSE:

The Company objects to the form of the question in that it calls for information that is not contained within the subject of this docket. However, without removing its objection, the Company states the following.

The Company receives frequent inquiries from individuals, developers, and potential businesses owners in the Grassland area inquiring on the availability of sewer taps. We have told everyone that there are no taps available at this time due to the I&I issues described above.

However, two potential business owners have expressed a willingness to make contributions toward the repairs for Infiltration and Inflow. As stated above, we are not currently in negotiations to take any external contributions to repair the I&I. Presently we feel that the first step needs to address repairs to the major leaks described in the response to Item 14. These repairs will be funded through a loan from Cartwright Creek, LLC's owners, Sheaffer International, LLC.

Because business zoning in the Grassland area is such a contentious issue and because Cartwright Creek, LLC has not received permission from these potential businesses to release their names, we are unable to provide this information to the TRA at this time.

16. In the pro forma income statement that was provided in this docket there were several expenses missing that were included in the pro forma's in Docket No. 04-00358 and the financial statements filed in this Docket such as Repair and Maintenance, Regulatory, Accounting, Sludge System Lease, Bank Charges, Bad Debt Expense, Consulting fees, etc. Explain why each of the expenses is not included in the pro forma income statement in this docket. Identify billing and collection expense. Will Sheaffer be paid a management fee as in the pro forma in Docket No. 04-00358?

RESPONSE:

The financial statements provided in Docket No. 04-00358 included a consolidated pro forma income statement for the operations of Cartwright Creek's Grassland's facility and the Waterbridge facility. These pro forma financial statements from 2004 also contained a one-time consulting fee charged by the prior owners of $60,000 for management services performed prior to the takeover of the system by Sheaffer International, LLC. Since taking over the system on January 1, 2005, Sheaffer International, LLC has not charged a management fee. Instead, these management services were performed by Sheaffer International LLC without compensation.

The pro forma financial statements included in this Docket reflect only the incremental results of operations for the proposed Burris Ridge facility. Expenses such as regulatory, bad debt, consulting fees, accounting, and sludge handling were excluded since they were not expected to have an impact on the Company's operations.

Currently, Cartwright Creek, LLC contracts with Haury & Smith (the firm owned by the previous owners) to provide billing services and respond to customer inquiries. The billing and collection expense noted in the pro forma financial statements filed in this docket, reflect an anticipated increase associated with the expected 600 new customers from the Burris Ridge development.

17. Provide year-end 2005 financial statements including balance sheet, income statement and statement of cash flow.

RESPONSE:

Apr 6, 2006
11:20 am

Cartwright Creek, LLC
Balance Sheet

December 2005

ASSETS

Current Assets:			
Fifth Third Bank - MMA		$883	
Pinnacle - Operating		2,584	
Customer accounts receivable		1,470	
TOTAL Current Assets			$
Fixed Assets:			
Utility plant in service		956,947	
A/D & amort of utility plant		(773,248)	
Utility Plant in Service			
Structures & improvements	$25,757		
Collection sewers - gravity	219,975		
Flow measuring devices	5,414		
Flow measuring installations	7,160		
Receiving wells	95,903		
Pumping equipment	127,225		
Treatment & disposal equipment	409,085		
Plant sewers	11,158		
Outfall sewer lines	21,758		
Other plant & misc equipment	31,303		
Other tangible plant	2,209		
Utility plant in service offse	(956,947)		
TOTAL Utility plant in service offse		0	
TOTAL Fixed Assets			18
Other Assets:			
Misc current & accrued assets		297	
Permits - Waterbridge		125,000	
TOTAL Other Assets			12
TOTAL ASSETS			$31

LIABILITIES

Current Liabilities:	
Accounts payable	$27,853
Accrued Franchise Tax	465
Accrued Ad Valorem Tax	3,997
Accrued Gross Receipts tax	6,615
Loan from Shareholders - Sheaffer	191,840
Misc current & accrued liab	15,423

TOTAL Current Liabilities		$24
Long-Term Liabilities:		
Long Term debt - Reese/Steve Smith	407,865	
Note to Shareholder	1,000	
TOTAL Long-Term Liabilities		40
TOTAL LIABILITIES		65
CAPITAL		
Other contributed capital - tap fees	1,150,293	
Retained earnings (deficit)	(1,413,897)	
Year-to-Date Earnings	(77,521)	
TOTAL CAPITAL		(341
TOTAL LIABILITIES & CAPITAL		$31

Apr 6, 2006
11:23 am

Cartwright Creek, LLC
Income Statement

	3 Months Ended December 31, 2005		12 Months Ended December 31, 2005	
Income				
Residential revenues	$46,480	77.4%	$186,930	77
Commercial revenues	13,306	22.2%	53,225	22
Other sewer revenues	246	0.4%	862	0
TOTAL Income	60,033	100.0%	241,016	100
Expenses				
Sludge removal expense	17,075	28.4%	72,998	30
Purchased power	5,212	8.7%	24,152	10
Chemicals	1,672	2.8%	11,145	4
Materials & supplies	4,739	7.9%	22,780	9
Engineering	0	0.0%	470	0
Plant Management	8,100	13.5%	30,900	12
Accounting	7,500	12.5%	30,000	12
Repairs & Maint to plant	7,134	11.9%	71,867	29
Legal fees	0	0.0%	68	0
Insurance expenses	178	0.3%	632	0
Postage	370	0.6%	1,747	0
Regulatory commission expense	0	0.0%	708	0
Bad debt expense	0	0.0%	16	0
Interest Exp - Smith Note	5,098	8.5%	19,599	8
Bank charges	409	0.7%	1,593	0
Miscellaneous expense	395	0.7%	1,597	0
TOTAL Expenses	57,883	96.4%	290,272	120
OPERATING PROFIT (LOSS)	2,150	3.6%	(49,256)	-20
Other Income & Expenses				
Depreciation	(7,337)	-12.2%	(29,342)	-12
Taxes other than income	(2,665)	-4.4%	(11,097)	-4
Interest & dividend income	0	0.0%	4	0
Other Income-Gain refinance	0	0.0%	12,170	5
TOTAL Other Income & Expenses	(10,002)	-16.7%	(28,265)	-11
PROFIT(LOSS) BEFORE TAXES	(7,852)	-13.1%	(77,521)	-32
NET PROFIT (LOSS)	($7,852)	-13.1%	($77,521)	-32

Apr 6, 2006
11:25 am

Cartwright Creek, LLC
Statement of Cash Flows

	Dec/05	Dec/04	Inc/<Dec
CASH FLOWS, OPERATIONS:			
Period Earnings:			($77,59
Adjustments to Year-to-Date Earnings:			
Customer accounts receivable	($1,470)	($1,929)	$45
Accounts payable	27,853	40,254	(12,40
Accrued Franchise Tax	465	756	(29
Accrued Ad Valorem Tax	3,997	4,015	(1
Accrued Gross Receipts tax	6,615	6,324	29
Loan from Shareholders - Sheaf	191,840	0	191,84
Misc current & accrued liab	15,423	0	15,42
NET CASH FLOWS, OPERATIONS			117,70
CASH FLOWS, FINANCING and INVESTING:			
A/D & amort of utility plant	773,248	743,906	29,34
Misc current & accrued assets	(297)	(229)	(6
Permits - Waterbridge	(125,000)	0	(125,00
Other contributed capital	0	12,170	(12,17
Long Term debt - Reese/Steve S	407,865	415,000	(7,13
NET CASH FLOWS, FINANCING and INVESTING			(115,03
Net Increase (Decrease) in CASH and CASH EQUIVALENTS			2,67
CASH and CASH EQUIVALENTS Beginning of the Period			79
CASH and CASH EQUIVALENTS Current			3,46
CASH and CASH EQUIVALENTS:			
Fifth Third Bank - MMA			88
Pinnacle - Operating			2,58
TOTAL CASH and CASH EQUIVALENTS			3,46