

STATE OF TENNESSEE

Office of the Attorney General



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September 14, 2012

Ms. Sharla Dillon  
Docket Room Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

RE: Petition of Laurel Hills Condominiums Property Owners Association for a  
Certificate of Public Convenience and Necessity  
Docket No. 12-0030

Dear Sharla:

I have enclosed an original and five copies of the First Discovery Request of the Consumer Advocate and Protection Division to Laurel Hills Condominiums Property Owners Association in the above styled case along with this cover letter.

The Discovery and this cover letter are being filed electronically by electronic mail this same date. Please return the additional copy of the Response stamp filed to me.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Baroni", followed by a horizontal line.

John J. Baroni  
Assistant Attorney General

cc: All parties of record

**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
<b>PETITION OF LAUREL HILLS</b>	)	
<b>CONDOMINIUMS PROPERTY OWNERS</b>	)	<b>DOCKET NO. 12-00030</b>
<b>ASSOCIATION FOR A CERTIFICATE</b>	)	
<b>OF PUBLIC CONVENIENCE AND</b>	)	
<b>NECESSITY</b>		

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**FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND  
PROTECTION DIVISION TO LAUREL HILLS CONDOMINIUMS PROPERTY  
OWNERS ASSOCIATION**

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To: Laurel Hills Condominiums Property Owners Association  
c/o Donald L. Scholes, Esq.  
Branstetter, Stranch & Jennings, PLLC  
227 Second Avenue North  
Fourth Floor  
Nashville, TN 37201-1631

This Discovery Request is hereby served upon Laurel Hills Condominiums Property Owners Association, ("Laurel Hills" or "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o John Baroni, on or before 4:00 p.m. (CDT), September 21, 2012.

**PRELIMINARY MATTERS AND DEFINITIONS**

Each discovery request calls for all knowledge, information and material available to Laurel Hills as a party, including any of Laurel Hills' parent companies, affiliates, agents, or assigns, whether it be Laurel Hills', in particular, or in the form of knowledge, information or

material possessed or available to Laurel Hills, it's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Laurel Hills which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Laurel Hills supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term "you" shall mean and include: Laurel Hills Condominiums Property Owners Association and all employees, agents and representatives thereof, as well as any subsidiary, affiliate or parent companies associated with Laurel Hills.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all

responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. A complete answer must provide a response which includes all matters known or reasonably available to the company.

The term "identity" and "identify" as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, work paper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no

longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the "original" document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate

information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

In the event Laurel Hills has a technical objection to a discovery request or cannot provide the specific information requested, the Consumer Advocate will make available the consultants it has employed for this docket to have discussions with the responding witnesses of Laurel Hills in order to resolve any technical matter pertaining to the discovery requests.

**Provide all responses in the format which they are maintained such as Microsoft Excel or Microsoft Word format with all formulas intact.**

#### **FIRST DISCOVERY REQUESTS**

1. The Consumer Advocate specifically incorporates each and every Data Request filed by the TRA on August 28, 2012 in this Docket as if fully stated herein. The Consumer Advocate expressly reserves the right to seek supplemental responses and/or file a motion to compel if the Consumer Advocate determines that any responses to the Data Request are inadequate or incomplete.

**RESPONSE:**

2. Further to the Data Request filed by the TRA on August 28, 2012, the Consumer Advocate specifically requests copies of all cancelled checks relating to all Laurel Hills' transactions.

**RESPONSE:**

3. Provide documentation that supports the following line items from the Laurel Hills 2011 Tax Return (submitted in the 4/10/2012 petition):

- |                                  |          |
|----------------------------------|----------|
| • Revenue                        | \$63,652 |
| • Repairs & Maintenance          | \$4,905  |
| • Depreciation                   | \$3,125  |
| • Other Deductions (Statement 5) | \$78,178 |

For each category listed above, provide a breakdown between amounts for the time-share operations and amounts for the water company operations. Also provide details concerning the Net Operating Loss Carryover Prior Years of \$121,346.

**RESPONSE:**

4. Provide any prior period tax returns, financial statements (income statement, balance sheet and general ledger) or general financial information related to the operation of this water system in past years. Please indicate who prepared this data (i.e. an outside accountant, CPA, or management). If no financial statements are available, please explain.

**RESPONSE:**

5. Provide a detailed list of current liabilities (e.g. a detailed listing of accounts payable including amount, vendor, service and/or item received, last time vendor was paid, amount of payment, and payment terms). Please provide a list of any additional vendors that currently have no accounts payable but are used regularly and/or are expected to be paid as part

of the proposed budget filed in this Docket. Please specify what services these vendors are expected to provide.

**RESPONSE:**

6. Provide copies of all contracts (e.g. service providers, management fees, staffing companies, suppliers, customers, contractors).

**RESPONSE:**

7. Provide documentation that supports any and all components of the short-term and long-term debts (e.g. \$400,000 note). This includes life of note, interest rates, and an amortization schedule that supports all debt instruments held by Laurel Hills or any related entities.

**RESPONSE:**

8. Provide a fixed asset listing for Laurel Hills that includes asset type, name, depreciable life, accumulated depreciation to date, monthly depreciation, and net book value. Also, provide a list of any and all forecasted capital spending to be done in priority order. Please detail relationship to past tax returns.

**RESPONSE:**

9. Provide the details concerning the Laurel Hills purchase of the water system in 2011. Specifically, provide a copy of the signed sales agreement, minutes from board meetings,



a list of all entities owned by or affiliated with Laurel Hills, and a copy of the corporate charter or the articles of incorporation.

**RESPONSE:**

10. Provide a list of accounts receivable for all customers, the amount that the customer has been billed, and at what monthly rate the customer balance was calculated.

**RESPONSE:**

11. Provide information about the monitoring and management of the company, including who is on the Board of Directors, their roles, how often they meet, and whether formal board minutes are taken and maintained. If there are no formal board meetings with minutes, please explain how the company is managed.

**RESPONSE:**

12. Describe the relationships (e.g. shared ownership, interlocking directors, whether the same vendors are used, as well as whether the entity is a vendor of the water company and what services the entity provides to the water company) between the following entities and individuals, which have been referred to in the pleadings and documents relating to this Docket:

Laurel Hills Condominium Property  
Owners Association  
Moy Toy, LLC  
Cumberland Point Condominiums  
Renegade Mountain  
Renegade Florida Management LLC  
Renegade Florida, Limited

Phillip G. Guettler  
Cumberland Gardens Resort  
Renegade Resorts  
Woodridge Condos  
Cumberland Gardens Acquisition Corporation  
Cumberland County Playhouse, Inc.  
Renegade Community Club

**RESPONSE:**

13. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 3, identify the other members of Moy Toy, LLC.

**RESPONSE:**

14. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 3, provide documents relating to the Moy Toy purchase of Renegade Mountain development, including any analyses relating to the water system, such as financial, engineering, environmental, and technical.

**RESPONSE:**

15. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 3, how was the \$400,000 purchase price determined and negotiated? Identify all parties involved.

**RESPONSE:**

16. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 4, have you contacted Mr. Wucher to obtain water system records? If not, why not?

**RESPONSE:**

17. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 4-5, recognizing the lack of utility easements and the prior neglect of the water system, provide any

formal or informal appraisal of the assets acquired for \$400,000, including any going-concern analyses, cash flow projections, and financing strategies.

**RESPONSE:**

18. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 7, recognizing that the water system was insolvent, explain the \$400,000 acquisition.

**RESPONSE:**

19. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 7, provide all documentation regarding \$53,038 loan from Renegade Mountain Timeshares, LLC.

**RESPONSE:**

20. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 13, provide the contract relating to Renegade Resources, LLC. Identify its members. Describe how and by whom this contract was negotiated. How does the company determine whether the value of the services rendered is fair, prudent, and reasonable?

**RESPONSE:**

21. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 13, identify who approves work performed by Renegade Resources.

**RESPONSE:**

22. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 13, explain why POA "believes" 50% on insurance costs should be billed to water system. Provide all analyses in support.

**RESPONSE:**

23. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 13-14, explain the 40% allocation methodology and reasoning and provide all analyses in support.

**RESPONSE:**

24. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 14, describe what is included in McQueen's outstanding bill for \$26,000. Who approved the work? Provide invoices. How does the company determine whether the value of the services rendered is fair, prudent, and reasonable?

**RESPONSE:**

25. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg 14, do you contend that the water company is responsible for defending the POA in the pending litigation? Explain.

**RESPONSE:**

26. Refer to Michael McClung's Pre-Filed Testimony dated September 6, 2012, Pg

15-16, provide all analyses supporting your conclusion that the water system is not financially viable.

**RESPONSE:**

27. Refer to the Company Responses to the TRA Requests filed on September 7, 2012:

- Provide referenced insurance policies. Explain and provide backup for payments to auto owners insurance. Does Company have vehicles?
- Explain "penalty billing" entries on Crab Orchard statement.
- Provide backup for payments to Frontier for internet security, phone, etc.
- Explain items listed on Depreciation Detail Listing and how they relate to water company.
- Has Lansford & Stephens certified your financial statements? If so, provide copy. If not, why not?
- Explain and provide backup for payments from Laurel Hills Condo POA to Laurel Hills Condo POA.
- Explain and provide backup for payments to Walter Wood Supply Co and Walter Wood Inc. and Walter A Wood.
- Explain and provide backup for payments to Boring & Goins
- Explain and provide backup for payments to Register of deeds.
- Explain and provide backup for payments to UCEC.
- Explain and provide backup for payments to Spirit Broadband.
- Explain and provide backup for payments to Renegade Mountain Community Club.
- Explain and provide backup for payments to Mike's Lock and Security.
- Explain and provide backup for payments to Woolf McClane.
- Explain and provide backup for payments to Kim Wyatt, Cumberland County Trustee.
- Explain and provide backup for payments to Register of Deeds.
- Explain and provide backup for payments to Brent Kearley
- Explain and provide backup for payments to Mid State Pest Control
- Explain and provide backup for payments to Brown Insurance Group
- Explain and provide backup for payments to Cumberland Gardens Community Club and Cumberland Gardens
- Explain and provide backup for payments to Moy Toy LLC

- Explain and provide backup for payments to Renegade Resources LLC
- Explain and provide backup for payments to Laura Juarez
- Explain and provide backup for payments to Ben Roberts
- Explain and provide backup for JE 5 on 12/31/11 to adjust fixed assets.

**RESPONSE:**

28. Refer to Company Responses to the TRA Requests filed on September 7, 2012

regarding aged receivables:

- As of August 31, there was \$91,235.60 in outstanding A/R with 85% of that over 90 days. One customer, CPCA has over 56% of the whole receivables balance. Is this for Cumberland Point Condominium Association? Does the company differentiate the 84 units? Please describe more fully the age of these receivables. It appears that \$43,545.60 out of \$50,803 or 86% are over 90 days old. Does the Company foresee a sizable write-off? How does the Company plan to address this issue?

**RESPONSE:**

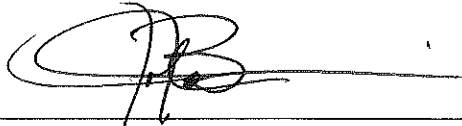
29. Refer to Company Responses to the TRA Requests filed on September 7, 2012, there is an account 30000 called "Income for Debt Forgiveness" that booked \$14,300 for 2011 and \$9,550 for 2012. Beneath the account, it says "Maintenance Fee Assessments". Please explain and provide backup for this account.

**RESPONSE:**

30. Provide all manual journal entries and supporting documents for 2011 and 2012.

**RESPONSE:**

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to be 'JB', with a long horizontal line extending to the right.

---

John J. Baroni, BPR #27041  
Assistant Attorney General  
Office of the Attorney General and Reporter  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
615-741-8726  
[john.baroni@ag.tn.gov](mailto:john.baroni@ag.tn.gov)

## **CERTIFICATE OF SERVICE**

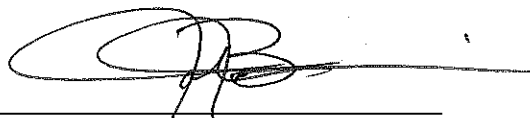
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Donald L. Scholes, Esq.  
Branstetter, Stranch & Jennings, PLLC  
227 Second Avenue North  
Fourth Floor  
Nashville, TN 37201-1631

Melanie Davis, Esq.  
Kizer & Black  
329 Cates Street  
Maryville, TN 37801-4903

Jean Stone, General Counsel  
Monica Smith-Ashford, Senior Policy Advisor and Hearing Officer  
Shiva Bozarth, Esq.  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

on this the 14th day of September, 2012.

A handwritten signature in black ink, appearing to read 'J. Baroni', is written over a horizontal line.

John J. Baroni  
Assistant Attorney General