

**HIGH TIDE AND GREEN GRASS, INC.
BASIC FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2013

HIGH TIDE AND GREEN GRASS, INC.
TABLE OF CONTENTS
JUNE 30, 2013

	Page
Independent Auditors' Report	1
Basic Financial Statements:	
Balance Sheet	3
Statement of Income and Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
High Tide and Green Grass, Inc.
Oxnard, California

We have audited the accompanying financial statements of High Tide and Green Grass, Inc. (the "Company") which comprise the balance sheet as of June 30, 2013, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Tide and Green Grass, Inc. as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Dick Evans LLP

Irvine, California

March 17, 2014

HIGH TIDE AND GREEN GRASS, INC.
BALANCE SHEET
JUNE 30, 2013

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 722,528
Accounts receivable, net	13,364
Inventories, at cost	110,547
Other assets	0
Deferred income taxes	29,381
Total Current Assets	875,820
Investments	38,655
Property and Equipment, Net	189,060
Total Assets	\$ 1,103,535

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	\$ 101,042
Current income taxes	1,479
Due to the City of Oxnard	135,373
Other accrued expenses	277,915
Deposits	132,762
Total Current Liabilities	648,571
Deferred Income Taxes	13,829
Total Liabilities	662,400
Stockholders' Equity:	
Common stock, par value \$141, authorized 10,000 shares, issued and outstanding 300 shares	42,300
Retained Earnings	398,835
Total Stockholders' Equity	441,135
Total Liabilities and Stockholders' Equity	\$ 1,103,535

See independent auditors' report and notes to financial statements.

HIGH TIDE AND GREEN GRASS, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2013

Revenues:	
Green fees	\$ 2,203,700
Carts	821,077
Food and beverage	424,142
Banquets	234,394
Merchandise	229,962
Range	181,339
Other revenues	42,401
Total Revenues	<u>4,137,015</u>
Operating Expenses:	
Salaries and wages, including benefits	1,976,436
Course materials and maintenance	587,769
Utilities	366,550
Food and beverage	282,402
Outside services	245,902
Merchandise	163,541
Fees - City of Oxnard	189,747
Administrative	112,498
Insurance	118,339
Depreciation and amortization	55,096
Other	26,791
Total Operating Expenses	<u>4,125,071</u>
Operating Income	<u>11,944</u>
Other Income:	
Investment income	5,931
Other income	4,510
Total Other Income	<u>10,441</u>
Income before Provision for Income Taxes	22,385
Provision for Income Taxes	<u>10,810</u>
Net Income	11,575
Retained Earnings, Beginning of Year	<u>387,260</u>
Retained Earnings, End of Year	<u><u>\$ 398,835</u></u>

See independent auditors' report and notes to financial statements.

HIGH TIDE AND GREEN GRASS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Net income	\$ 11,575
Adjustments to reconcile net income to net cash provided by operating activities:	
Non-cash Items Included in Net Income:	
Depreciation and amortization	55,096
Deferred income taxes	8,531
Gain on sale of assets	(1,110)
Unrealized gain on trading securities	(4,557)
Decrease (Increase) in Operating Assets:	
Accounts receivable	9,589
Inventories	(1,250)
Other current assets	18,175
Increase in Operating Liabilities:	
Accounts payable	5,386
Current income taxes	1,479
Due to the City Of Oxnard	11,942
Other accrued expenses	40,090
Deposits	39,454
Net Cash Provided by Operating Activities	<u>194,400</u>
Cash Flows from Investing Activities:	
Proceeds from sale of assets	2,100
Purchase of property and equipment	<u>(29,097)</u>
Net Cash Used in Investing Activities	<u>(26,997)</u>
Net Change in Cash and Cash Equivalents	167,403
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>573,300</u>
Cash and Cash Equivalents, End of Year	<u>\$ 740,703</u>
Supplemental Disclosures:	
Interest paid	<u>\$ -</u>
Income taxes paid	<u>\$ 800</u>

See independent auditors' report and notes to financial statements.

HIGH TIDE AND GREEN GRASS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies

Nature of Operations

High Tide and Green Grass, Inc. (the “Company”) was incorporated on November 24, 1993 as a California corporation to operate, maintain and manage the River Ridge Golf Club and related facilities located in Oxnard, California under a management contract with the City of Oxnard, California, expiring June 30, 2019.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, title has transferred, product payment is not contingent upon performance of installation or service obligations, the price is fixed or determinable, and collectability is reasonably assured. In instances where final acceptance of the product or service is specified by the customers, revenue is deferred until all acceptance criteria have been met. The Company generally recognizes revenue when the service is performed, or merchandise is sold.

Cash and Cash Equivalents

The Company considers all investment instruments purchased with maturities of three months or less to be cash equivalents. Cash and cash equivalents at the beginning of the year has been reduced by \$34,098 as a result of reclassifying the Company’s holdings in mutual funds as investments on the current year balance sheet.

Accounts Receivable

Accounts receivables are carried at cost, less an allowance for doubtful accounts, if an allowance is deemed necessary. The Company does not accrue finance charges or interest charges. On a periodic basis, the Company evaluates its accounts receivable and determines the requirement for an allowance for doubtful accounts, based on history of past write-offs, collections and current credit conditions. An account is written off when it is determined that all collection efforts have been exhausted. Recoveries of amounts previously charged off are credited to revenues. Accounts considered uncollectible will be charged to operations when that determination is made. The Company considers accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is included in the financial statements.

HIGH TIDE AND GREEN GRASS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories

Inventory primarily consists of pro shop merchandise inventory available for resale and food and beverage inventory for the snack bar and banquet facility rentals. Inventories are stated at the lower of cost or market, less an allowance for obsolescence, if an allowance is deemed necessary. Cost has been determined on the first-in, first-out basis. Market is based upon the estimated realizable value less allowance for selling and distribution expenses and normal gross profit.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases.

The estimated useful lives of the respective assets are as follows:

Golf course and maintenance machinery and equipment	5 - 7 years
Leasehold improvements	5 - 39 years
Food and beverage equipment and facilities	5 - 39 years
Pro shop furniture and equipment	5 - 7 years
Landfill machinery and equipment	7 years
Administrative furniture and equipment	5 - 7 years

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset.

Compensated absences

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees. Management believes that not estimating the accrual does not materially misstate the financial statements.

HIGH TIDE AND GREEN GRASS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company's income tax liability has been determined by using an asset and liability approach. The liability is based on the current and deferred tax consequences of all events recognized in the financial statements as of the date of the balance sheet. Deferred taxes are provided for temporary differences which will result in taxable or deductible amounts in future years, primarily attributable to a different basis in certain assets for financial and tax reporting purposes, including recognition of deferred tax assets net of a related valuation allowance.

As of June 30, 2013, the Company had a state net operating loss carry forward of approximately \$137,000 that may be applied against future taxable income and that expire in various years through 2021.

The Company accounts for uncertain tax positions by making subjective assumptions and judgments regarding its income tax exposures. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in the Company's subjective assumptions and judgments can materially affect amounts recognized in the balance sheet and statement of income and retained earnings.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of June 30, 2013.

The Company files income tax returns in the U.S. Federal and California state jurisdictions. Years prior to 2009 are no longer subject to U.S. Federal income tax examination, and the Company is no longer subject to major state income tax examinations for years prior to 2008.

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2013, was \$23,510.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, the Company reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates. Examples include collectability of accounts receivable, valuation of inventory and potential outcome of future tax benefits.

HIGH TIDE AND GREEN GRASS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 2: Concentrations, Risks and Uncertainties

The Company maintains its cash balances with a major financial institution located in California. The balances are insured by the Federal Deposit Insurance Corporation up to the effective limit as of June 30, 2013. Periodically throughout the year ended June 30, 2013, the Company maintained balances in excess of federally insured limits.

Note 3: Property and Equipment

Property and equipment are summarized as follows at June 30, 2013.

Cost of property and equipment:	
Golf course and maintenance machinery and equipment	\$ 667,408
Leasehold improvements	221,366
Food and beverage equipment and facilities	163,669
Pro shop furniture and equipment	58,948
Landfill machinery and equipment	44,122
Administrative furniture and equipment	<u>17,317</u>
Total cost of property and equipment	1,172,830
Less accumulated depreciation and amortization	<u>(983,770)</u>
Property and Equipment, Net	<u>\$ 189,060</u>

Note 4: Management Contract with the City of Oxnard

The Company participates in a profit sharing agreement with the City of Oxnard. During the operating year, the Company will pay the City of Oxnard a fee that represents an agreed-upon percentage of annual net receipts derived from golf course operations. The fee to the City of Oxnard was \$189,747, for the year ended June 30, 2013.

Additionally, as part of this agreement, the Company incurs and pays capital improvement expenditures on behalf of the City of Oxnard. The City of Oxnard, then reimburses the Company for approved actual capital improvement expenditures. The Company incurred \$54,374 capital improvement expenditures during the year ended June 30, 2013.

The Company and City of Oxnard net these two transactions resulting in a payable due to the City of Oxnard of \$135,373 at June 30, 2013.

HIGH TIDE AND GREEN GRASS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 5: Commitments and Contingencies

Operating Capital Leases

The Company leases certain golf carts under a non-cancelable operating lease. The lease currently calls for monthly payments totaling \$9,003 and matures November 2013.

The future annual minimum rental payments required under the operating lease are as follows:

2014	\$ <u>45,015</u>
------	------------------

Note 6: Pension Plan

The Company sponsors a 401(k) profit sharing pension plan covering substantially all of its employees. In accordance with the plan, the Company may contribute a matching contribution equal to a percentage of the participant's elective contributions. In addition, the Company may contribute an additional amount to each participant's account. The matching contribution and the additional contributions are at the discretion of the Company's management and are determined on an annual basis. The total pension expense was \$33,739 for the year ended June 30, 2013.

Note 7: Provision for Income Taxes

At June 30, 2013, the components of the provision for income taxes reflected in the statement of income and retained earnings are as follows:

Current income taxes:	
Federal income taxes	\$ 1,479
State income taxes	<u>800</u>
Total current income taxes	<u>2,279</u>
Deferred income tax expense (benefit):	
Temporary differences	(7,884)
Net operating loss carryforward	11,290
State taxes	<u>5,125</u>
Total deferred income tax expense (benefit)	<u>8,531</u>
Total Income Tax Expense (Benefit)	<u>\$ 10,810</u>

HIGH TIDE AND GREEN GRASS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 7: Provision for Income Taxes (Continued)

The significant temporary differences and carryforwards and their related deferred tax asset and deferred tax asset valuation allowance are as follows:

Net operating loss carryforward	\$ 12,122
Temporary accrual differences	34,506
Property and equipment depreciation	(25,951)
State taxes	<u>(5,125)</u>
 Total Deferred Income Taxes	 <u><u>\$ 15,552</u></u>

Deferred income taxes have been classified on the balance sheet as follows:

Current asset	\$ 29,381
Noncurrent liability	<u>(13,829)</u>
 Total Deferred Income Taxes	 <u><u>\$ 15,552</u></u>

Deferred income taxes reflect the net effects of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The major components comprising deferred income tax assets and liabilities are accruals for employee vacation and sick pay, state income taxes, and depreciation.

The Company's effective income tax rate is higher than what would be expected if the federal statutory rate were applied to income from continuing operations primarily because of state income taxes.

Note 8: Fair Value Measurements

The Company follows the requirement for the disclosure of fair value measurements in accordance with a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

HIGH TIDE AND GREEN GRASS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 8: Fair Value Measurements (Continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis comprise the following:

	<u>Fair Value at June 30, 2013</u>
Investments in trading securities:	
Mutual funds	<u>\$ 38,655</u>

Fair value was determined as follows:

	<u>Based On</u>		
	<u>Quoted Prices in Active Markets</u>	<u>Other Observable Inputs</u>	<u>Unobservable Inputs</u>
Investments in trading securities:			
Mutual funds	<u>\$ 38,655</u>	<u>\$ -</u>	<u>\$ -</u>

Generally, for all trading securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 9: Subsequent events - The Company has evaluated subsequent events through March 17, 2014, which is the date the financial statements were issued.