

Attachment I  
1)

1970



CAROLINA CARIBBEAN CORPORATION ANNUAL REPORT 1970

## Officers

### **HARRY C. ROBBINS**

President, Director and  
Member of Executive Committee

### **JERALD C. LIEBHART**

Executive Vice President,  
Director and Member of  
Executive Committee

### **WILLIAM S. ARNETT**

Vice President — Urban  
Development, Director and  
Member of Executive Committee

### **GLEN B. HARDYMON**

Vice President, Secretary,  
and General Counsel, Director  
and Member of  
Executive Committee

### **D. DWIGHT CRATER**

Vice President — Finance,  
Treasurer, Director and  
Member of Executive Committee

### **STACY I. ROWELL**

Vice President — Sales

### **JOHN HARMON, JR.**

Vice President and  
Director of Marketing

### **JAMES R. HUNTER, III**

Assistant Vice President  
and Assistant Treasurer

## Directors

### **CHARLES E. BRADY**

President, Material Sales Co.

### **EUGENE CROSS, JR.**

President, Cross Cotton Mills Co.

### **PAUL F. DIETZEL**

Athletic Director, University  
of South Carolina

### **CHARLES R. FICHTENGER**

Retired, Formerly Treasurer  
Norfolk and Western Railway  
Company

### **ROBERT J. FROEBER**

Chairman of the Board,  
Americal Corporation

### **DR. GEORGE L. HALLER**

Retired, Formerly Vice President,  
General Electric Company

### **R. L. McKAUGHN, JR.**

Vice President,  
Colonial Investment Co.

### **T. BRAGG McLEOD**

Member of Executive  
Committee,  
President, Moss Trucking  
Company

### **G. ALLEN MEBANE**

President, Universal  
Textured Yarns, Inc.

### **LINDSAY P. MORRIS**

President, Morris-Johnson  
Company

### **RYE B. PAGE**

President and Publisher,  
Star-News Newspapers, Inc.

### **RUSSELL B. ROBINS**

Executive Vice President,  
The Jam Handy Organization, Inc.

#### TRANSFER AGENT

North Carolina National Bank,  
Charlotte, N. C.

#### AUDITORS

Ernst & Ernst, Charlotte, N. C.

#### LEGAL COUNSEL

Kennedy, Covington, Laddell &  
Hickman, Charlotte, N. C.



## The Company and its Business

In January, 1965, the Company was incorporated under the name Appalachian Developments, Inc. to engage in the business of developing year-round resort, convention and recreational facilities and selling real estate for retirement, vacation and resort purposes.

Initially, the Company's efforts were devoted to the development of a resort oriented vacation-retirement home development at Beech Mountain near Banner Elk, North Carolina. As this development materialized, management began the expansion of the Beech Mountain concept to other areas, and the Company is now engaged in four major types of developments: Beech Mountain, a 9,000 acre year-round resort facility; urban development with the initial project being located near Charlotte, North Carolina; resort condominiums currently being developed at St. Croix, U. S. Virgin Islands; and planned recreationally oriented camping areas with the first of such resorts being located near Linville, North Carolina.

At Beech Mountain, the Company has just completed its third ski season and has established itself as one of the leading ski resorts in the Southeast. The Company derives revenues from ski lift fees, ski equipment rentals, lessons and food service. The initial nine holes of one of the Company's four planned golf courses and a recreational complex,

including a swimming pool, are scheduled for opening this summer thereby moving the Company closer toward its goal of making Beech Mountain a complete year-round resort community. The Company maintains its own sales organization, and thus far at Beech Mountain, over 3,500 home sites have been sold and numerous homes have been constructed by outside contractors. In addition, private developers have also purchased land from the Company for condominium construction. The first of three planned motels has been completed by outside developers on land leased to them by the Company, and the Company's home rental operation is now entering its second year of operation. Two restaurants operated by the Company and several shops leased to private operators have been opened in the Beech Tree Village, a Bavarian-styled village located at the base of the ski slopes.

In order to better utilize the ski lift facilities at Beech Mountain, the Company, on June 15, 1970, opened the "Land of Oz," a themed outdoor park designed as a simulated trip to the Land of Oz.

Through the Company's wholly-owned subsidiary, St. Croix, Ltd., the Company is nearing completion of the first stage of a resort condominium project on the East End of St. Croix, U. S. Virgin Islands. In addition to the condominiums completed or nearing completion, the Company has constructed a nine-hole golf course, dock and supporting facilities.

In 1969, the Company expanded its operations to include the development of a residential community near Charlotte, North Carolina. An approximately 1,900 acre tract is being developed into a club residential development featuring golf courses, swimming pools, tennis courts, lakes, woodlands and other recreational areas. Sales of lots began during fiscal 1970.

A new division of the Company, Land Harbors of America, began development during the year of the first of a series of planned recreationally oriented camping areas near Linville, North Carolina. Land Harbors utilizes the resort concept developed by the Company at its Beech Mountain development with the exception that lots are designed primarily for camping vehicles rather than permanent structures. The Company began the sale of campsites at the Linville Land Harbors in July of 1969. The Company anticipates that the Linville Land Harbors concept will be applied in other areas of the United States.

While the Company's four main areas of development involve many diversified activities, the Company remains essentially a land development company concerned with the preservation of the natural environment.



## President to the Shareholders

Net earnings per share for the year ended March 31, 1970 were \$ .27 as compared to \$ .69 for the previous year even though net sales were \$7,145,392 for the year as compared to \$5,858,937 for the previous year, an increase of 22%. The sales volume at both Beech Mountain and St. Croix was adversely affected by the general decline in the economy. In addition, an increase in development costs, selling expenses, and general and administrative expenses, was largely responsible for the decline in earnings.

During the development of all of the Company's projects, Beech Mountain has continued to be the primary income producing project. Obviously, a tremendous initial investment is required in each of the Company's projects before a maximum sales potential can begin

to be realized. In order to establish Beech, in a remote wilderness area, as a major four seasons resort, it was necessary for the Company to develop roads, an extensive utility system, recreational facilities and numerous supporting buildings. These efforts, near completion, should now enable us to concentrate on real estate sales. The same is true of St. Croix where an initial investment of over \$8 million was required before the project was sufficiently advanced to generate sales.

The year was sadly marked by the death of the Company's founder and Chairman of the Board, Grover C. Robbins, Jr.

Purchase agreements have been completed on all properties in Charlotte for "Walden," the Company's first urban development. A comprehensive development plan on Walden is expected to be submitted in early summer to the Mecklenburg County Planning Commission with approval expected for a Planned Urban Development of approximately 6,500 residential units.

Sales at Land Harbors of America, Linville, North Carolina, began late last year. We are encouraged by the reception of this prototype of a planned series of resorts for campers. There should be a significant improvement in sales during the current year when the 70-acre lake which will form the heart of the area's recreation complex is complete late this summer.

The "Land of Oz," America's newest adventure park, opened June 15, 1970

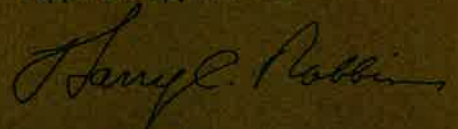
on Beech Mountain utilizing our gondola and triple chair ski lifts and extending their income producing period from three months to nine months of the year. Oz should attract hundreds of thousands of people, thus boosting the overall economy at Beech and vastly multiplying the exposure of its shops, hotels and the Company's real estate. Oz, with its universal appeal complemented by an aesthetic quality of the highest type, should have a beneficial effect on the entire Company.

By March 31, 1970, approximately 350 homes had been completed or were under construction at Beech Mountain representing an investment of more than \$10 million by property owners there.

The pictorial section of this report is part of a comprehensive promotional brochure being distributed through our Real Estate Sales Department to prospective purchasers. Complete copies of this brochure entitled, "There is a Place," are available upon request.

With a substantial amount of the initial development work behind us on all of the Company's existing projects, sales potential for the coming year should be greatly increased. To our employees we extend our thanks and appreciation for their tireless work and loyalty.

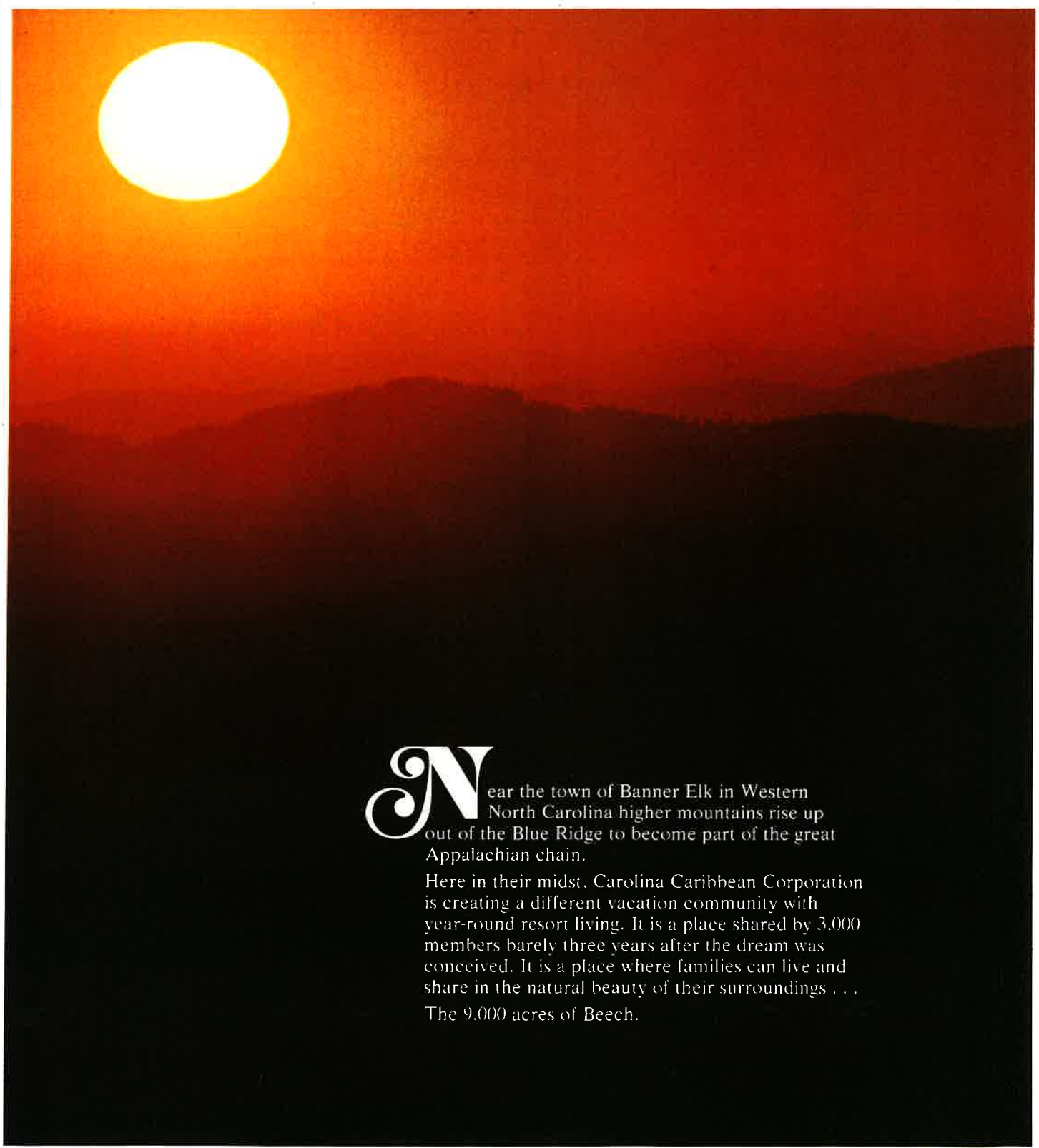
In summary, the attitude of the Company is one of carefully measured advance. Your continued support is appreciated.



Harry C. Robbins  
President







**N**ear the town of Banner Elk in Western North Carolina higher mountains rise up out of the Blue Ridge to become part of the great Appalachian chain.

Here in their midst, Carolina Caribbean Corporation is creating a different vacation community with year-round resort living. It is a place shared by 3,000 members barely three years after the dream was conceived. It is a place where families can live and share in the natural beauty of their surroundings . . .

The 9,000 acres of Beech.



**T**he pinnacles of Beech, more than a mile high, look out over sister slopes of the Blue Ridge within a six-state area.

One of the last wilderness areas of Eastern America, it had remained largely inaccessible in the past but Carolina Caribbean was early to see the vast Interstate Highway system, now nearing completion, and the swift development of air routes and airports which would put Beech within easy reach of millions of

people for the first time.

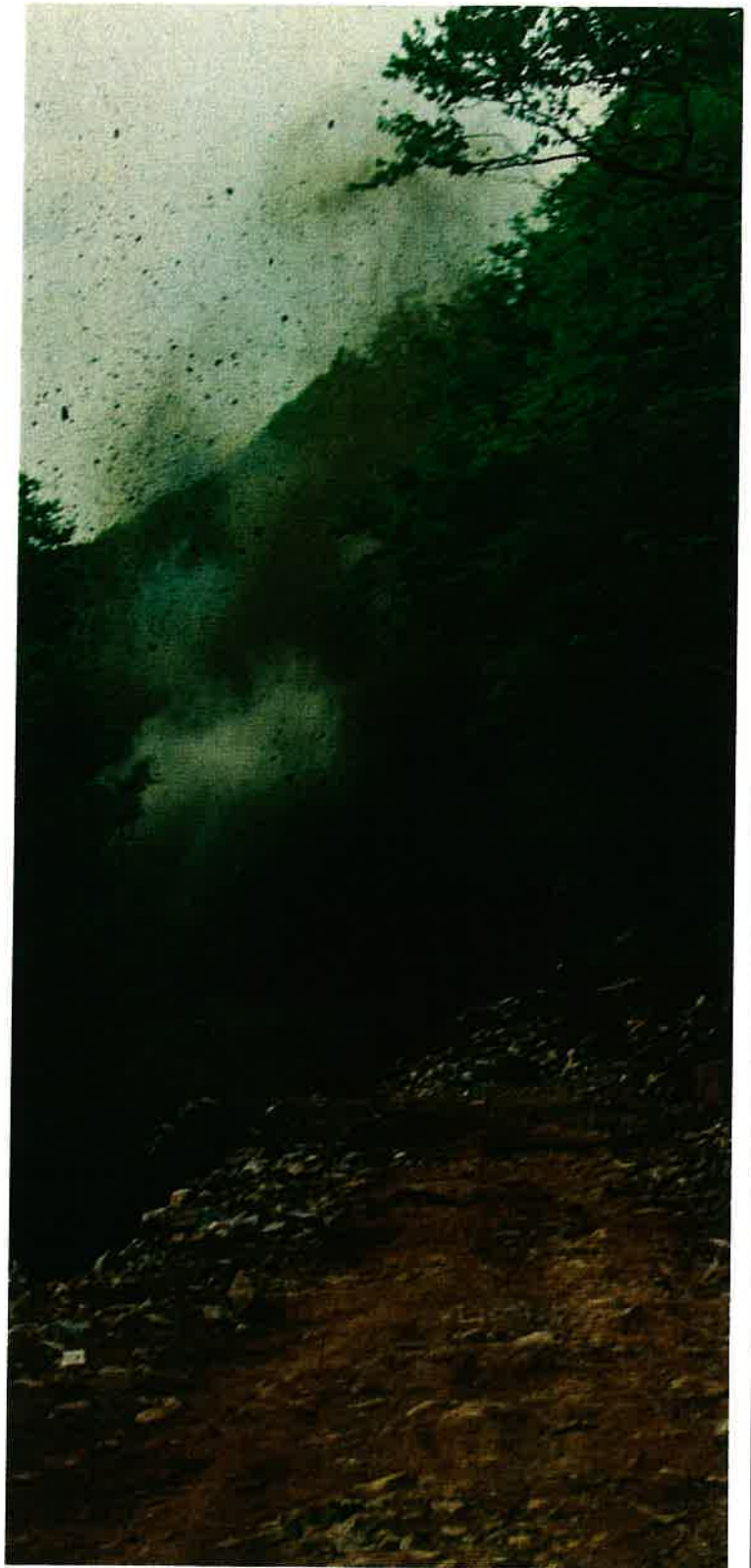
From every conceivable standpoint, one fact emerged clearly: the mountain was made for living. The first order of business was to make it reachable and liveable. People bought shares of the dream, lots they could not see on a mountain they could not climb; homesites known only to the grouse and other wild things on the trackless slopes.

**F**irst came the roads, a way of getting at the mountain. To it. Over it. And around it.

Again, the challenge was there—to adapt the terrain toward fulfilling the needs for a year-round resort community without altering the identity of Beech.

After the roads would come establishment of those services and facilities generally considered essential to the welfare and daily life of the community.

All this, so that living at Beech, a family is always near those things it needs . . . and away from those it does not.







**I**n the upper elevations of Beech are many springs from which one can safely drink. The streams are almost rivers by the time they leave the slopes; yet, even then, the water is clear and clean. This came about from an undertaking unlike that anywhere else in this part of the world: the design and installation of a central sewage system with lines laid six feet deep through almost-solid rock plus an elaborate water system with reservoirs located at strategic points all over the mountain. The natural environment of Beech will be unspoiled for as long as the mountain remains.

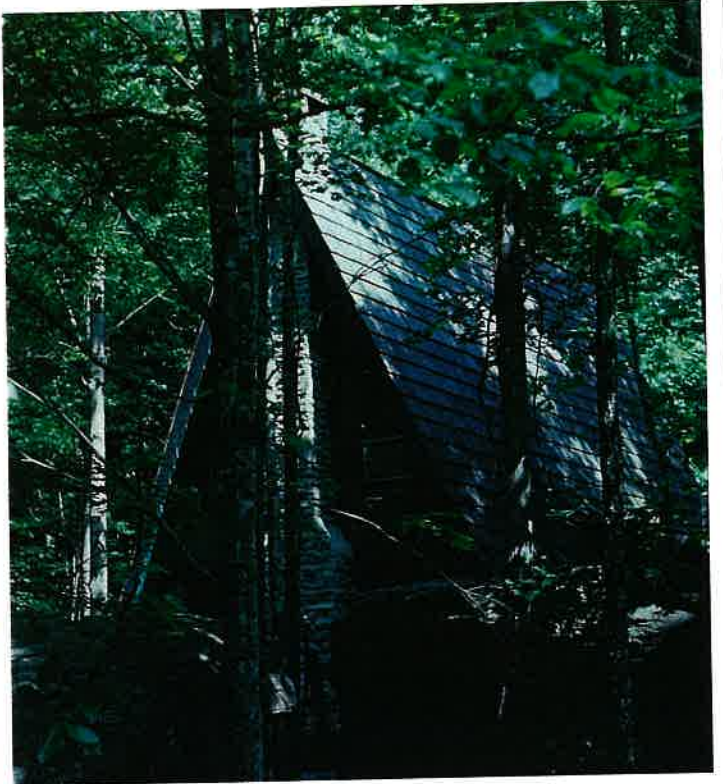
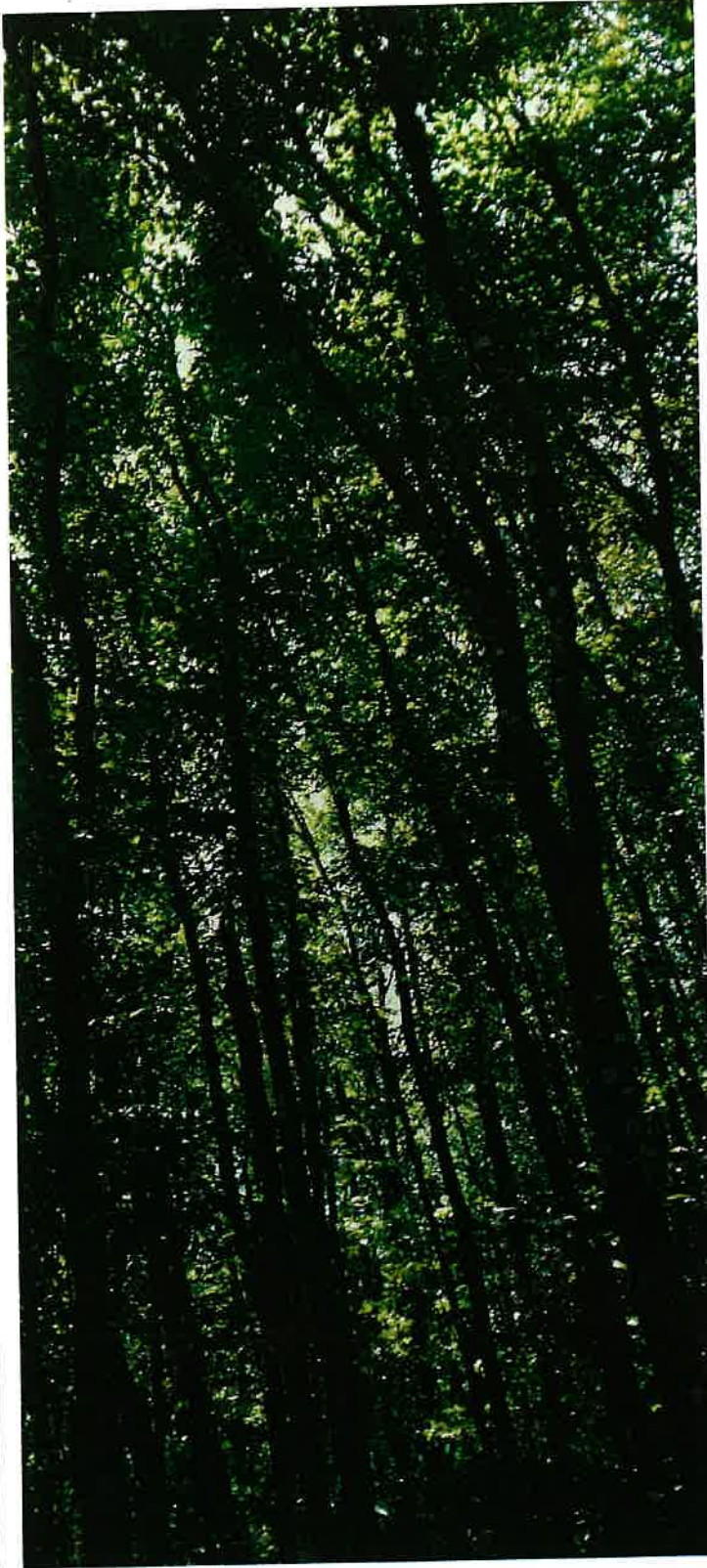


Ultimately, the mountain emerges as more than a record of the energies and efforts of men who had a job to do—and did it. It becomes a year-round resort center where each season has its own special wonder and meaning for every member of the family—whatever the age, inclination or ability.

Beech was designed as a community of families at one with themselves and their environment—the endless variety of the Appalachian out-of-doors.

As further proof of the integrity of the plan, more than a thousand acres have been set aside as permanent wilderness for perpetual enjoyment by the residents of Beech.





**L**iving on Beech is more than an experience or an adventure in outdoor living. It is an investment. It begins with purchase of a lot and then the choosing of a suitable, sensible home to meet your family's needs. To this end, management continues to team its efforts with a number of builders toward fulfillment of your tastes and needs.

It is an axiom of business that land is the only hedge against inflationary erosion. And a home at Beech, the Irreplaceable Place . . .

For this reason your Beech home is not only an adventure in living but a sure investment because, if you desire, when you aren't living in it Carolina Caribbean will rent and manage it for you. Thus, your Volkshaus-type chalet or contemporarily-styled home can work for you and help pay for itself. With such homes and their fresh, bold approach to leisure living you will find a new life style and a sure investment for the future.

All are parts of the planned logic of living at Beech.





**I**nitially, Beech was best known, justifiably, for its skiing. But snow must melt. Seasons change. Hence, the next great sport.

Golf. Beech is perfect for it. Grassy Gap Golf Course, Eastern America's highest, offers breathtaking views from almost every fairway. Irrigated from tee to green and built to drain and dry quickly, it can be played from spring to late autumn. It's the first of four planned championship courses and while all will be equally exciting, they will be dramatically different in topography and challenge.



**B**esides golfing, Beech offers tennis and heated-pool swimming. Organized sports and activities are projected for a Day Ranch to be offered for children of Beech residents.

All, of course, in addition to stables and miles of riding and hiking trails. A walk in the woods is in season year-round at Beech Mountain.





**F**ar more than organized activities and sports, Beech is a place of exploration, of discovery of the self.

On an October morning, if you leave your house at first light, there is a special stillness and feeling of contentment in the autumn woods. Later, when the mists are off the streams and the high country is ablaze with matchless color, there is time for an old-fashioned picnic or a ride on winding bridle trails.

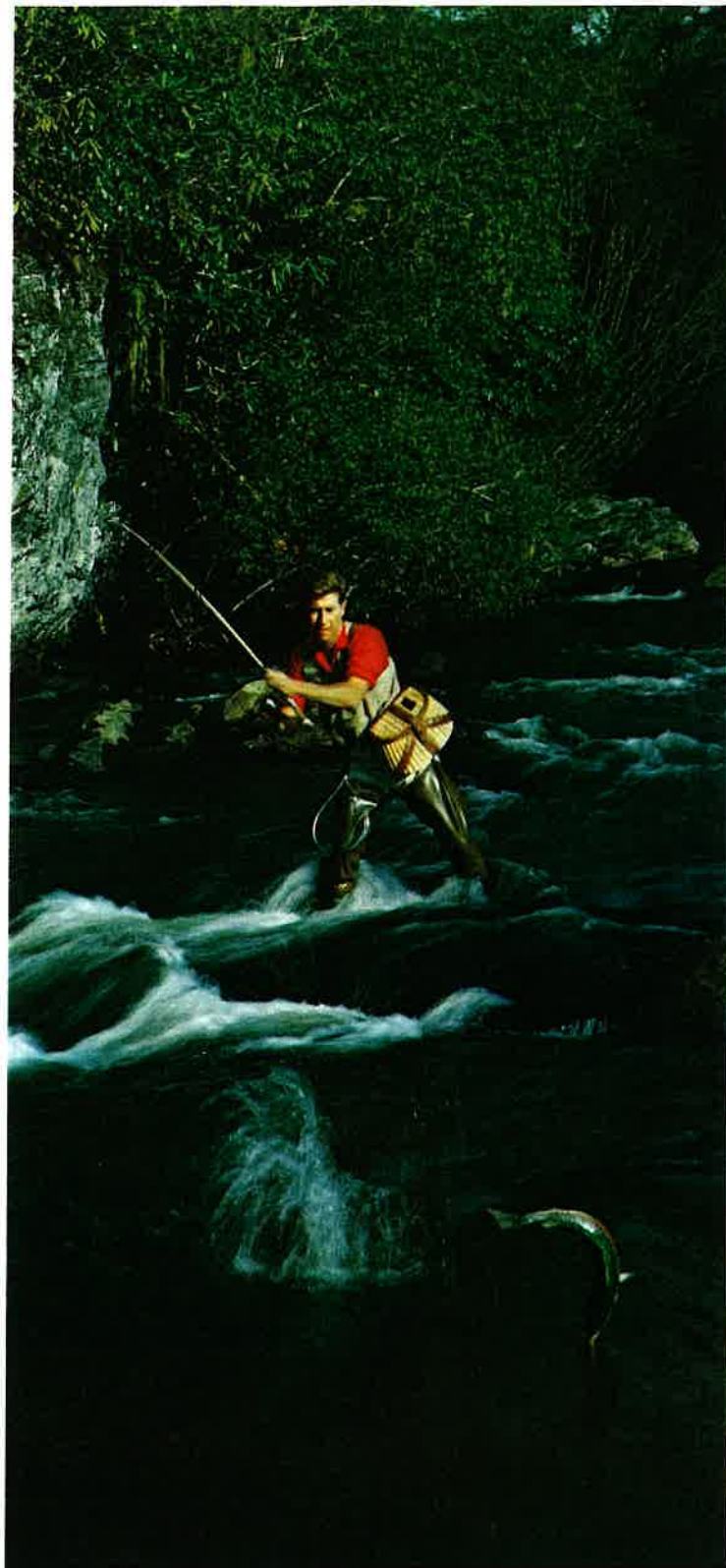
Family is one word at Beech that is *never* out of fashion.




**T**he streams coursing down Beech and around its base in the valleys have pools and eddies harboring the beautiful fighting trout—the rainbow, speckled and big brown.

Yet the excitement of trout fishing is but one aspect of the outdoor realm of Beech. So much of the mountain is untouched that a short hike alone will allow you to see nature as it has been for centuries. Hunting, except with a camera, is restricted on Beech. And skeet shooting is engineered for maximum safety as well as pleasure.

Whatever your sport, the out-of-doors at Beech is big enough for everyone.







**T**he fierce beauty of winter comes to Beech with the first snowfall but Carolina Caribbean does not have to wait for natural snow. Even as trees turn to crystal against a hard blue sky the world's finest snow-making equipment is ready for operation. At Beech, snow-making is an art and, because it is highest, the mountain's man-made snow assures the finest skiing for more days. Moreover, Beech-made snow is smoother, less sticky, more stable than natural snow since its crystals can be made dryer with adjustment of air-to-water ratios in the massive compressors-to-guns process.

Eastern America's highest ski runs have a vertical drop of 800 feet from the 5500-foot summit house. In the already developed Eastern Bowl there are nearly five miles of slopes covering 15 acres in addition to approximately 20 acres of snowfields and trails. Yet to be developed is the massive Western Bowl, many times larger.

Skiing? It's here for everyone from the "never-before" skeptic to the most seasoned expert.



**B**eech lifts, capable of carrying more than 9,000 skiers per hour, include the colorful skis-on gondola built in Turin, Italy, triple chairs, double chairs, J-bars and rope tows.

**O**ur certified, professional instructors employ simplest techniques so that old and young alike find that enjoyment of this great sport can come quickly, easily.

But far more than skiing and après ski parties in homes or in building inns or in Beech Tree Village, Beech means winter fun for everyone.

Beech is just another way of saying *excitement* in winter.







**B**eech Tree Village is at the heart of all things on the mountain. A mixture of Swiss and Bavarian architecture, its buildings are connected by a series of paths and walkways. Pedestrian-only traffic gives it the Old World flavor of a small Swiss township where an automobile is a seldom thing.

And "township" is a fitting description. At the base of the ski slopes, Beech Tree Village is expanding into a center for life and activity with elegant specialty shops, fashionable boutiques and quaint stay-awhile places to eat and drink. Here, too, and exclusively for

residents, is Beech Tree Inn with excellent dining, lounge and entertainment facilities.

Here, too, is another private club, the Red Baron Room which also has limited membership. The Red Baron Room, quite unlike anything else anywhere, has its own special and matchless atmosphere, that of a World War I French cellar retreat.

In yet another area, situated near the Village, will be convenience food and service shops necessary to meet the daily needs of a family living on Beech.





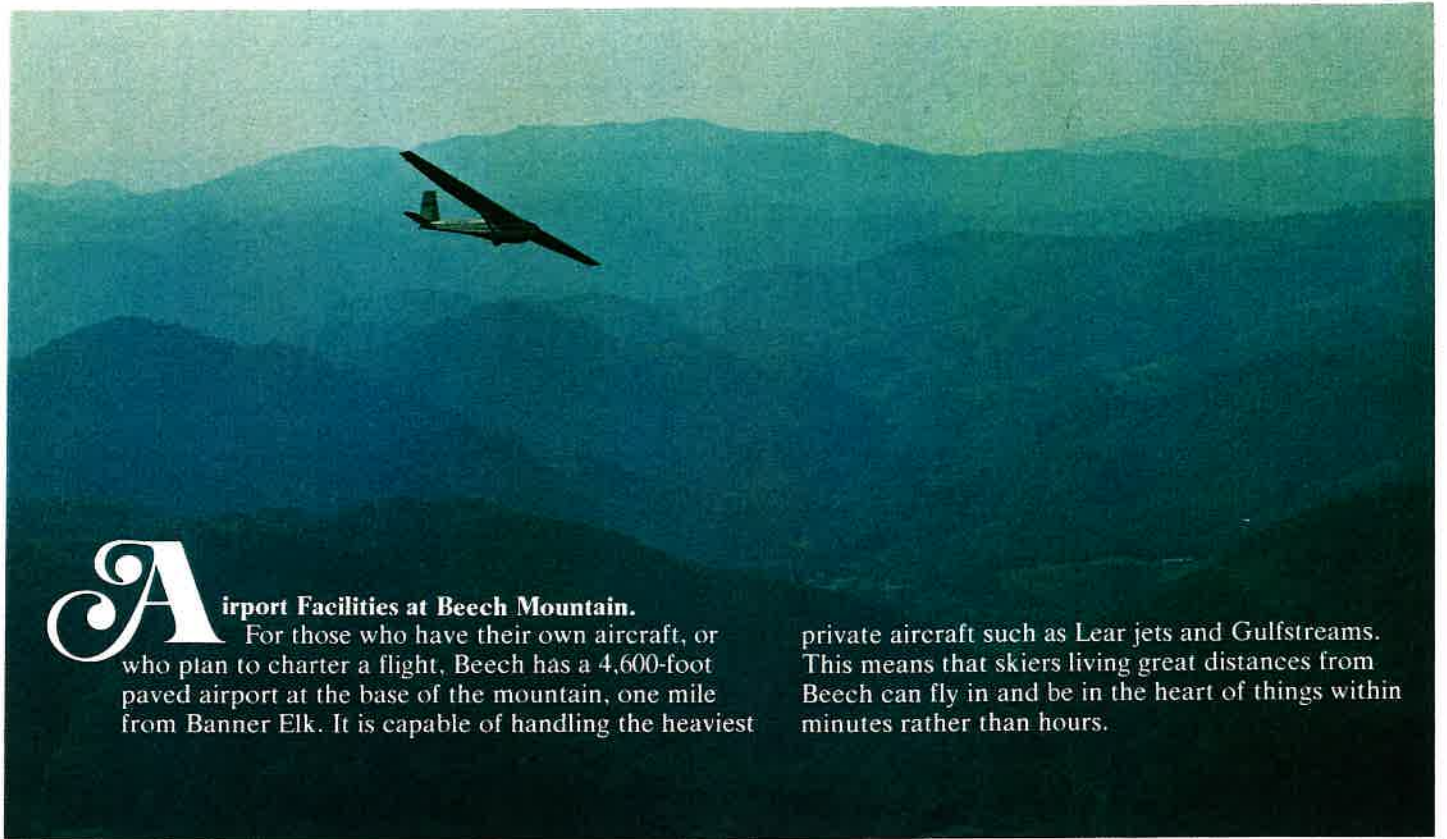


**L**iving on the mountain provides a sense of freedom. It's the kind of feeling, for example, that comes while sailplaning high above the slopes. It is this feeling of mobility, of release, that gave birth to the concept of the Carolina Caribbean Club at both Beech Mountain and its tropic alter ego, St. Croix, U. S. Virgin Islands.

Club members will enjoy certain privileges and facilities to enhance days and nights of living on Beech . . . or points South. Beech Tree Inn, a Ski Center membership lounge, golf and other recreation facilities for example, are theirs.

Members will also have priority, though membership is optional, in the Carolina Caribbean Air Travel Club. The latter is simply planned as a co-op arrangement through which lease or ownership of an airliner will afford travel at rates far below those of commercial airlines. The travel club idea would also make possible special group rates on regularly scheduled airlines. Primarily, though, the Air Travel Club would make available easy, relatively inexpensive flights between Beech Mountain and St. Croix, 2,000 miles South.





**A**irport Facilities at Beech Mountain. For those who have their own aircraft, or who plan to charter a flight, Beech has a 4,600-foot paved airport at the base of the mountain, one mile from Banner Elk. It is capable of handling the heaviest

private aircraft such as Lear jets and Gulfstreams. This means that skiers living great distances from Beech can fly in and be in the heart of things within minutes rather than hours.



**B**eech Mountain Airport Statistics.  
VFR-Daylight hours only

Unicom 122.8

80/100 octane and jet fuel

Paved runway 4,600 feet

Tiedowns and paved parking

Routine maintenance

60' by 60' de-icing hangar

Snow removal equipment

Beech Mountain Airport is located 025° radial off

Asheville VOR 112.2, 300° radial off Hickory

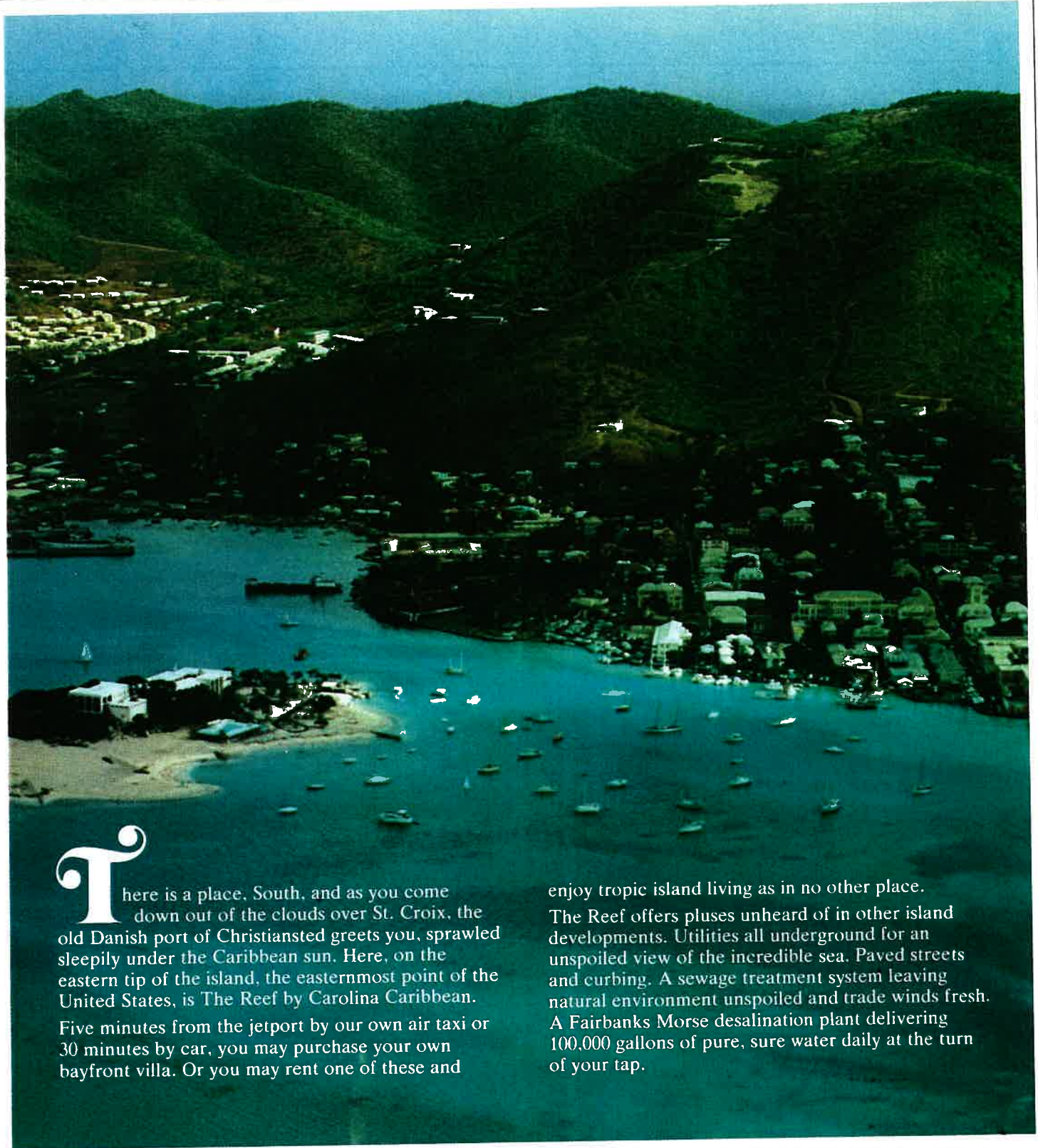
VOR 110.8, 145° radial off Holston Mountain

VOR 114.6.

When flying to Beech, we recommend that you call

704/898-6345 or 898-6155 for the latest local weather.

Before landing, please use the Unicom 122.8 for traffic and runway information.



**T**here is a place, South, and as you come down out of the clouds over St. Croix, the old Danish port of Christiansted greets you, sprawled sleepily under the Caribbean sun. Here, on the eastern tip of the island, the easternmost point of the United States, is The Reef by Carolina Caribbean. Five minutes from the jetport by our own air taxi or 30 minutes by car, you may purchase your own bayfront villa. Or you may rent one of these and

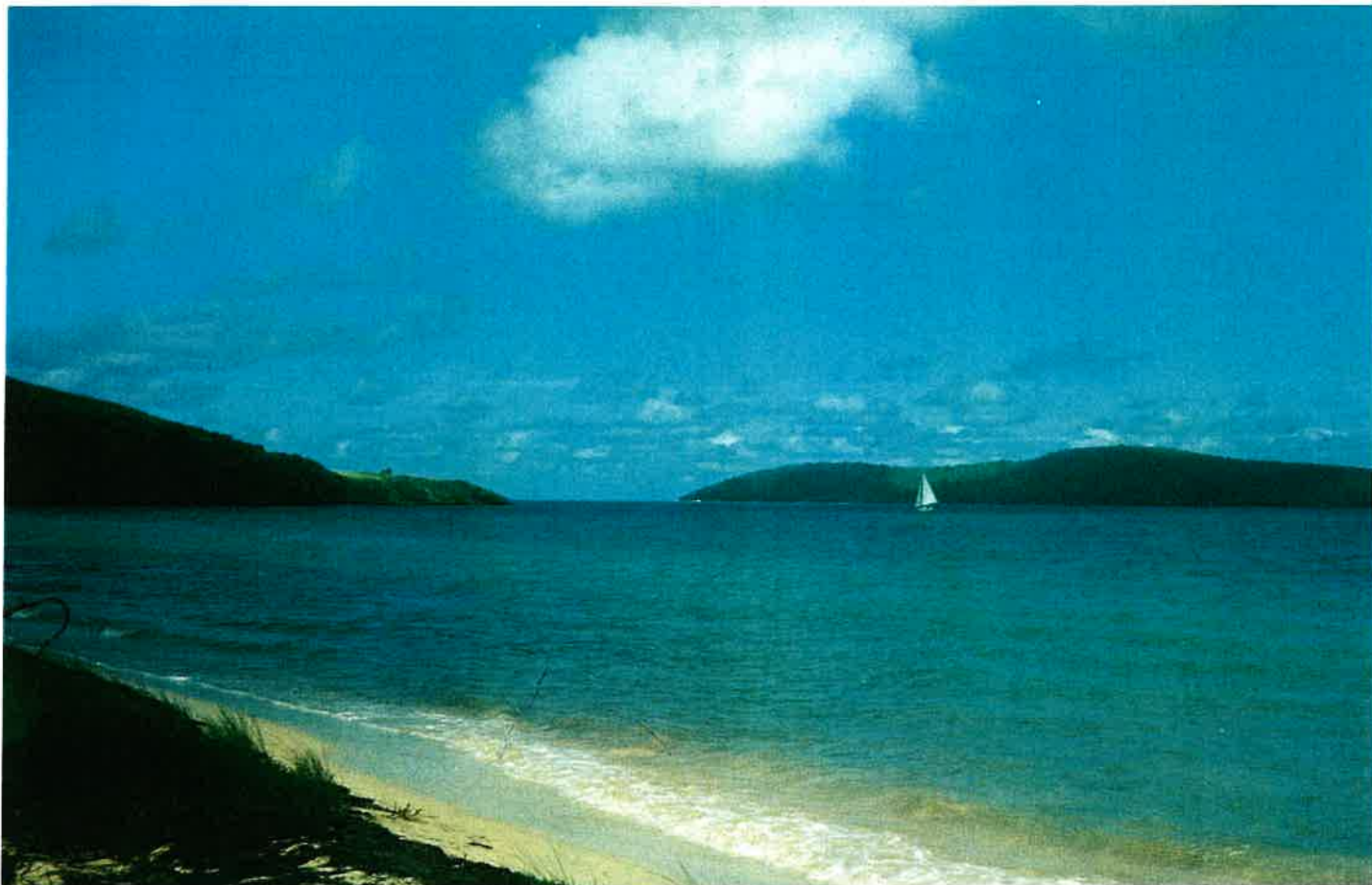
enjoy tropic island living as in no other place. The Reef offers pluses unheard of in other island developments. Utilities all underground for an unspoiled view of the incredible sea. Paved streets and curbing. A sewage treatment system leaving natural environment unspoiled and trade winds fresh. A Fairbanks Morse desalination plant delivering 100,000 gallons of pure, sure water daily at the turn of your tap.





**S**t. Croix is sometimes called the “Sunday Island” because of its lingering spirit of relaxation and contentment. Possibly, all you will want to do is to prop up your feet and window shop for a boat. Or go on a buying spree in the duty-free port’s old world shops.

If you’re more actively inclined, the Caribbean seascape offers the perfect backdrop for recreation and sports. The Reef has the island’s finest beach, 1200 feet of natural, bone-white beach. The Reef has its own tee-to-green irrigated golf course. Yours. There is a pro shop, a driving range, a freshwater pool—all of this a few swift strides from your villa. Swimming, sailing, tennis, golf—whatever your interest—The Reef will not disappoint you.




**T**wo miles out lies Buck Island, a United States National Park. Here, a snorkeling journey takes you down to an iridescent-blue other world where yellowtail and grouper feed lazily from your hand while myriad schools of rainbowed exotic fish swim by.

The sun and trade winds invite you to linger and suddenly the day and date no longer matter. The Reef. St. Croix. An anytime jumping off place. An anytime place for letting go.







**T**his is the story of Beech and something of The Reef, St. Croix, but it is not the entire Carolina Caribbean story which continues to renew itself like the seasons themselves. It is a story which is fact, not fiction. It is truth, not travelogue.

There are other things. There is Land of Oz, a first, an esthetically incomparable themed park among the pinnacles of Beech. Its production of summer season income will enable maintenance and expansion of member recreation facilities.

There is Land Harbors of America, the first underway at nearby Linville, intent upon creating the finest resorts for campers at mountain and beach destination

points. Here an owner may use his site and camper for a ready second home. In his absence the site may be rented, thus affording him income.

There is Walden at Charlotte, first of two 2,000-acre developments there to emerge as a planned urban community designed to bring an easy and elegant resort flavor to suburban living.

All of these—Beech Mountain, St. Croix, Land Harbors, Walden—are Carolina Caribbean promises for those who seek the finest.

The promise is . . .  
There is a place.



CAROLINA CARIBBEAN CORP.  
 6 mo Sept 30: 1971 1970  
 Shr. earns . . . . \$ 12  
 Sales . . . . 5,924,871 a\$3,723,139  
 Net Income 358,254 b256,463  
 a-Restated. b-Loss.

## Statement of Consolidated Earnings

### Carolina Caribbean Corporation and Subsidiary

|  | Year Ended March 31 |                               |
|--|---------------------|-------------------------------|
|  | 1970                | 1969<br>(Restated—<br>Note J) |
| Net sales . . . . .  | \$ 7,145,392        | \$ 5,858,937                  |
| Cost of real estate and merchandise sold . . . . .   | 1,717,030           | 814,040                       |
| Operating expenses . . . . .   | 1,701,848           | 865,419                       |
|  | 3,418,878           | 1,679,459                     |
|  | 3,726,514           | 4,179,478                     |
| Selling expenses . . . . .   | 899,932             | 600,483                       |
| Administrative and general expenses . . . . .  | 1,262,674           | 902,107                       |
|  | 2,162,606           | 1,502,590                     |
|  | 1,563,908           | 2,676,888                     |
| Other income — principally interest . . . . .  | 272,769             | 168,766                       |
|  | 1,836,677           | 2,845,654                     |
| Other deductions — interest — Note K . . . . .   | 243,155             | 141,516                       |
|  | 1,593,522           | 2,704,138                     |
| <b>EARNINGS BEFORE INCOME TAXES</b>  |                     |                               |
| Federal and state income taxes — Note G:   |                     |                               |
| Current . . . . .  | 19,000              | 435,000                       |
| Deferred . . . . .   | 791,000             | 979,000                       |
|  | 810,000             | 1,415,000                     |
|  | <b>NET EARNINGS</b> | <b>\$ 1,289,138</b>           |
| Net earnings per common and common equivalent share outstanding during<br>the year (1970 — 2,937,583 shares; 1969 — 1,857,468 shares) — Note I . . . . . | \$ .27              | \$ .69                        |

See notes to consolidated financial statements.



# Consolidated Balance Sheet

## Carolina Caribbean Corporation and Subsidiary

|   | March 31<br>1970 | March 31<br>1969<br>(Restated—<br>Note J) |
|---|------------------|---|
| <b>ASSETS</b>   |                  |   |
| Cash, including certificates of deposit of \$40,873 in 1970 (Note F)<br>and \$1,500,000 in 1969 ..... | \$ 1,008,658     | \$ 1,994,107                              |
| Notes and accounts receivable:  |                  |   |
| Real estate installment notes — Notes B, F and M .....  | 5,119,839        | 3,307,864                                 |
| Real estate installment accounts — Note B .....   | 817,197          | —   |
| Other accounts receivable .....   | 571,035          | 258,792                                   |
|   | 6,508,071        | 3,566,656                                 |
| Less allowances for uncollectibles and cancellations .....  | 179,933          | 91,177                                    |
|   | 6,328,138        | 3,475,479                                 |
| Land designated for sale — Notes C and F .....  | 3,679,372        | 442,796                                   |
| Condominiums and houses held for sale — at cost not in excess<br>of market — Note F .....             | 4,638,742        | —   |
| Prepaid expenses and other assets .....   | 154,852          | 121,143                                   |
| Investment in stock — at cost .....   | 125,000          | —   |
| Properties and equipment — at cost — Notes D, F, J and M .....  | 15,061,092       | 10,342,394                                |
| Less allowances for depreciation .....  | 1,082,275        | 532,601                                   |
|   | 13,978,817       | 9,809,793                                 |
| Deferred charges — Note E:  |                  |   |
| Organization and preoperating expenses .....  | 630,134          | 304,218                                   |
| Interest .....  | 229,588          | 142,608                                   |
| Debt expense .....  | 153,940          | —   |
|   | 1,013,662        | 446,826                                   |
|   | \$30,927,241     | \$16,290,144                              |

|  | March 31<br>1970    | March 31<br>1969<br>(Restated—<br>Note J) |
|--|---------------------|---|
| <b>LIABILITIES</b>   |                     |   |
| Notes payable— Notes F and M .....   | \$ 9,079,390        | \$ 4,180,074                              |
| Accrued development costs— Notes C and J .....                               | 1,096,924           | 842,177                                   |
| Accounts payable and accrued expenses .....                                  | 1,849,888           | 888,587                                   |
| Deposits on lots and condominiums .....                                      | 109,100             | 115,885                                   |
| Deferred income .....  | 55,000              | —   |
| Federal and state income taxes— Note G:                                      |                     |   |
| Currently payable .....  | 148,804             | 613,410                                   |
| Deferred .....   | 2,327,000           | 1,536,000                                 |
|  | <u>2,473,804</u>    | <u>2,149,410</u>                          |
| Convertible subordinated notes— 8%— due 1985— Note H .....                   | 5,000,000           | —   |
| Stockholders' equity— Notes H, I and J:                                      |                     |   |
| Common Stock, par value \$ .83-1/3 a share:                                  |                     |   |
| Authorized 4,200,000 shares  |                     |   |
| Issued and outstanding: 1970— 2,888,437 shares;                              |                     |   |
| 1969— 2,613,600 shares .....   | 2,407,031           | 2,178,000                                 |
| Additional paid-in capital .....   | 5,928,394           | 3,791,823                                 |
|  | 8,335,425           | 5,969,823                                 |
| Less par value of stock issued for land in excess of cost to promoters ..... | 111,005             | 111,005                                   |
|  | 8,224,420           | 5,858,818                                 |
| Earnings retained .....  | 3,038,715           | 2,255,193                                 |
|  | <u>11,263,135</u>   | <u>8,114,011</u>                          |
| <b>COMMITMENTS— Note L</b>   |                     |   |
|  | <u>\$30,927,241</u> | <u>\$16,290,144</u>                       |

See notes to consolidated financial statements.



# Statement of Consolidated Stockholders' Equity

## Carolina Caribbean Corporation and Subsidiary

Year Ended March 31

1970                      1969

### COMMON STOCK

|  |                     |                     |
|--|---------------------|---------------------|
| Balance at beginning of year   | \$ 2,178,000        | \$ 1,131,000        |
| Par value of shares issued:  |                     |                     |
| Sold to public — 1,200,000 shares  | —                   | 1,000,000           |
| Sold in private placement — 252,584 shares                                   | 210,487             | —                   |
| Sold under stock option plans: 1970 — 10,000 shares;<br>1969 — 56,400 shares | 8,333               | 47,000              |
| Exchanged for land and investment — 12,253 shares                            | 10,211              | —                   |
|  | 2,407,031           | 2,178,000           |
| Less par value of stock issued for land in excess of cost to promoters       | 111,005             | 111,005             |
| <b>BALANCE AT END OF YEAR</b>  | <b>\$ 2,296,026</b> | <b>\$ 2,066,995</b> |

### ADDITIONAL PAID-IN CAPITAL

|  |                     |                     |
|--|---------------------|---------------------|
| Balance at beginning of year   | \$ 3,791,823        | \$ —                |
| Proceeds or market value in excess of par value of shares<br>of Common Stock issued:       |                     |                     |
| Sold to public   | —                   | 4,400,000           |
| Sold in private placement  | 1,999,623           | —                   |
| Sold under stock option plans  | 36,867              | 3,000               |
| Issued for land and investment   | 131,864             | —                   |
|  | 5,959,777           | 4,403,000           |
| Less expenses incurred in connection with sale of stock to public<br>and private placement | 31,383              | 611,177             |
| <b>BALANCE AT END OF YEAR</b>  | <b>\$ 5,928,394</b> | <b>\$ 3,791,823</b> |

### EARNINGS RETAINED

|  |                     |                     |
|--|---------------------|---------------------|
| Balance at beginning of year:  |                     |                     |
| As previously reported   | \$ 1,902,343        | \$ 724,173          |
| Adjustments resulting from capitalization of water and<br>sewer lines — Note J | 352,850             | 241,882             |
| As restated  | 2,255,193           | 966,055             |
| Net earnings for the year  | 783,522             | 1,289,138           |
| <b>BALANCE AT END OF YEAR</b>  | <b>\$ 3,038,715</b> | <b>\$ 2,255,193</b> |

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

## Carolina Caribbean Corporation and Subsidiary

### NOTE A — Principles of Consolidation

The consolidated financial statements include the accounts of the Company and St. Croix, Ltd., a wholly-owned U. S. Virgin Islands subsidiary. The subsidiary was incorporated in October 1966 and began operations in February 1970. All material intercompany accounts and transactions have been eliminated in consolidation.

### NOTE B — Real Estate Notes and Accounts Receivable

The Company recognizes income from installment sales of real estate at the time sales contracts are executed, the total contract price being reported as a sale and the cost, including future development cost, being charged against income. Notes receivable arising from such installment sales are as follows:

|                     | March 31<br>1970    | March 31<br>1969    |
|---------------------|---------------------|---------------------|
| Due within one year | \$ 1,959,629        | \$ 1,499,937        |
| Due after one year  | 3,160,210           | 1,807,927           |
|                     | <u>\$ 5,119,839</u> | <u>\$ 3,307,864</u> |

Installment accounts receivable arising from the sale of condominiums in St. Croix, Virgin Islands are as follows:

|                     | March 31<br>1970 | March 31<br>1969 |
|---------------------|------------------|------------------|
| Due within one year | \$ 517,243       | 299,954          |
| Due after one year  | 817,197          |                  |

### NOTE C — Current Assets and Liabilities

Current assets have not been segregated because the portion of land designated for sale which will be sold within one year cannot be reasonably determined.

Current liabilities have not been segregated because the portion of accrued development costs which will be incurred within one year cannot be reasonably determined. These development costs consist primarily of the Company's portion of estimated costs for utilities (less amounts capitalized as explained in Note I) and streets to be incurred as the property is developed. Additional costs, recoverable through lot owner assessments, of \$1,489,245 at March 31, 1970 and \$1,582,025 at March 31, 1969 are to be incurred in developing the property sold.

### NOTE D — Properties and Equipment

Properties and equipment at March 31, 1970 and March 31, 1969 consisted of the following:

|   | March 31<br>1970    | March 31<br>1969    |
|---|---------------------|---------------------|
| Land:                                       |                     |                     |
| Permanent facilities and recreational areas | \$ 2,114,398        | \$ 730,309          |
| Undesignated                                | 1,169,546           | 2,427,349           |
|   | <u>\$ 3,283,944</u> | <u>\$ 3,157,658</u> |
| Land improvements                           | 1,164,908           | 892,438             |
| Utility system                              | 1,332,524           | 669,787             |
| Buildings and structures                    | 2,257,020           | 785,579             |
| Machinery and equipment                     | 3,489,430           | 2,840,324           |
| Construction in progress                    | 3,533,266           | 2,017,628           |
|   | <u>\$15,061,092</u> | <u>\$10,342,394</u> |

The depreciation policy of the Company is to provide amounts for depreciation and obsolescence calculated by a combination of straight-line and accelerated methods, to amortize the cost of the various assets over their estimated useful lives. Depreciation expense for the years ended March 31, 1970 and March 31, 1969 amounted to \$517,895 and \$354,372, respectively.

### NOTE E — Deferred Charges

Organization and preoperating expenses are being amortized for financial reporting purposes over a period of sixty months beginning with the recognition of income from such related operations. Preoperating expenses incurred in newly created divisions will be amortized over a period of sixty months beginning with commencement of operations of these divisions. Such expenses are set forth as follows:

|  | March 31<br>1970  | March 31<br>1969  |
|--|-------------------|-------------------|
| Unamortized balance of organization and preoperating expenses    | \$ 581,527        | \$ 45,153         |
| Preoperating expenses not being amortized until operations begin | 48,607            | 259,055           |
|  | <u>\$ 630,134</u> | <u>\$ 304,208</u> |
| Amounts amortized for year                                       | \$ 40,378         | \$ 15,856         |

Deferred interest is being amortized principally by the sum-of-the-years-digits method over the terms of the related installment notes and capitalized equipment leases.

Debt expense was incurred in connection with the convertible subordinated notes and is being amortized by the straight-line method over a period of fifteen years.

### NOTE F — Notes Payable

Notes payable at March 31, 1970 consisted of the following:

|   | Total               | Due Within<br>One Year |
|---|---------------------|------------------------|
| Purchased money mortgages arising out of land acquisitions, payable with interest, principally at the rate of 6%, in annual installments over one to nine years | \$ 3,815,867        | \$ 592,044             |
| Installment notes, equipment pledged as collateral, payable principally in monthly installments including interest  | 736,792             | 249,699                |
| Capitalized equipment leases including financing charges, payable in monthly installments   | 597,947             | 147,246                |
| Due banks:  |                     |                        |
| 10 1/2% demand note, real property pledged as collateral  | 2,000,000           | 2,000,000              |
| 8% demand note, installment notes receivable pledged as collateral  | 1,000,000           | 1,000,000              |
| 8% installment note, payable \$5,420 per month including interest, installment notes receivable pledged as collateral   | 242,075             | 47,000                 |
| 8% note due July 22, 1970, real estate pledged as collateral  | 175,000             | 175,000                |
| Other unsecured notes   | 511,709             | 466,709                |
|   | <u>\$ 9,079,390</u> | <u>\$ 4,577,698</u>    |

The carrying value at March 31, 1970 of assets mortgaged or otherwise pledged as collateral for indebtedness of the Company is as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| Real estate — permanent and for sale | \$ 5,934,658        |
| Land improvements                    | 527,184             |
| Buildings and structures             | 349,343             |
| Machinery and equipment              | 1,048,771           |
| Construction in progress             | 1,478,870           |
| Condominiums held for sale           | 4,496,213           |
| Installment notes receivable         | 1,189,628           |
| Certificates of deposits             | 40,873              |
|                                      | <u>\$15,055,520</u> |

### NOTE G — Income Taxes

The Company provides deferred federal and state income taxes due to utilization of provisions of tax laws with respect to the reporting of income from installment sales and the timing of certain expense deductions.

The Company follows the practice of recognizing investment tax credit as a reduction of federal income tax expense in the period in which the credit is earned. Accordingly, provisions for federal income taxes have been reduced by \$38,751 and \$130,924 for the years ended March 31, 1970 and March 31, 1969, respectively.

### NOTE H — Convertible Subordinated Notes

The 8% Convertible Subordinated Notes were issued on March 15, 1970, and are convertible in whole or in part, at the option of the holders at any time on or before maturity on March 1, 1985, into Common Stock at the conversion price of \$7 per share. The notes are payable \$500,000 semiannually on each March 1 and September 1, beginning September 1, 1980, to and including March 1, 1985, except that any optional prepayments or conversions reduce such payments in inverse order of due dates. The Company may at its option prepay without premium on each September 1 or March 1, on or after September 1, 1980, an additional \$500,000 or part thereof. In addition, the Company may at its option prepay the notes in whole or in part at any time, or from time to time, on or after March 1, 1973 upon payment of the principal amount plus a premium ranging from 5% in 1973 to 67% in 1984. The notes are subordinated to the other notes payable.

The Company has reserved 714,285 shares of authorized but unissued Common Stock for issuance upon conversion of the notes.

The Company has agreed to certain limitations with respect to payment of dividends (other than dividends payable solely in Common Stock), incurring additional subordinated indebtedness which is senior to the notes, consolidation, merger or sales of substantially all its property. At March 31, 1970, all of the earnings retained were restricted as to the payment of cash dividends.

No dilution in earnings per share would have resulted had the notes been converted at the date of issue.

### NOTE I — Stock Options and Warrants

At March 31, 1970, 244,500 shares of authorized but unissued Common Stock of the Company were reserved for issuance under stock option plans and warrants.

At the balance sheet date, options were outstanding for 208,000 shares at prices ranging from \$3-1/3 to \$13-1/2, aggregating \$1,462,250. Options for 128,000 shares were currently exercisable. During the year, options were granted for 80,000 shares at prices ranging from \$7-1/8 to \$13-1/2 per share, options for 10,000 shares at \$4-1/2 per share were exercised, and options for 4,000 shares were canceled.



# Notes to Consolidated Financial Statements - Cont.

## Carolina Caribbean Corporation and Subsidiary

In connection with the private placement in May of 1969 of 114,412 shares of the Company's Common Stock, the Company granted these private purchasers a right of first refusal with respect to future equity and long-term debt financings. In consideration of the release of this right of first refusal, the Company granted warrants for the purchase of 28,500 shares of Common Stock of the Company at a price of \$7 per share. These warrants can be exercised in whole or in part at any time prior to March 17, 1975.

No charges have been, or will be, made to income in connection with the options or warrants. The average number of common and common equivalent shares used in computing earnings per share was determined by adding to the average number of common shares outstanding during the year the average number of stock options and warrants outstanding having a dilutive effect, and reducing the result by the number of common shares which were assumed to have been purchased with the proceeds from the exercise of the options and warrants. The purchases were assumed to have been made at the average market price of Common Stock during the respective years.

### Note J—Change in Accounting for Utilities

In previous years the cost of water and sewer lines was treated as development cost to be recovered through lot sales and was accordingly included in the cost of lots. During the year ended March 31, 1970, the Company decided to make the necessary accounting changes to capitalize a portion of the cost of these facilities. The cost would thus be recovered by charging rates to users or by sale of the utilities to others for operation. The cost of such facilities previously treated as cost of lots sold amounted to \$198,536 and \$250,968 for years ended March 31, 1970 and March 31, 1969, respectively. The financial statements for the preceding year have been restated to reflect this change. The change increased net earnings \$80,286 (5.03 per share) for 1970 and \$110,868 (\$ .06 per share) for 1969.

The Company believes that the full cost of the utility plant should be considered as a part of the rate base for purposes of future rate-making. On this basis, the Company believes the utilities will eventually be a self-supporting entity through charging rates to users sufficient to cover cost of operations and amortization of plant. Estimated losses from operating the utilities prior to becoming a self-supporting entity have been included in accrued development costs and charged to cost of lots sold. However, the applicable rate-making authority has not yet determined what rates can be charged or what costs will be allowed as part of the rate-making base. Any costs not recovered or losses exceeding estimates would be additional costs allocated to lots.

### Note K—Interest

Interest expense for the years ended March 31, 1970 and March 31, 1969 consisted of the following:

|                                  | March 31<br>1970 | March 31<br>1969 |
|----------------------------------|------------------|------------------|
| Interest on debt                 | \$ 669,020       | \$ 166,186       |
| Less interest charged to:        |                  |                  |
| Condominiums during construction | 261,124          | —                |
| Fixed assets                     | 53,149           | —                |
| Preopening expenses              | 171,582          | 24,670           |
|                                  | \$ 425,865       | \$ 24,670        |
| Net interest expense             | \$ 243,155       | \$ 141,516       |

### Note L—Commitments

A tract of land containing approximately fifty acres on Beech Mountain, North Carolina has been leased by the Company under an agreement which expires in 2008. The lease provides for a minimum annual rental of \$10,000 to be adjusted based on cost of living index changes from January 1967. An amusement park, completed in June 1970 at a cost of approximately \$1,000,000, is located on this leased property. The Company, under a contract for design of the park, is obligated to make payments of an amount equal to 2% of gross revenues for as long as the park is in operation.

St. Croix, Ltd. has purchased from certain officers of the Company their interest in a lease covering approximately thirteen acres of unimproved land on the island of St. Croix, U. S. Virgin Islands. The lease, expiring in 2065, provides for a minimum annual rental of \$12,500 to be adjusted based on cost of living index changes from January 1967.

A one-third undivided interest in a tract of land containing approximately 200 acres in Banner Elk, North Carolina has been leased by the Company under a perpetual term agreement, cancellable by noncompliance with the terms of the lease agreement. The lease provides for an annual rental of \$2,400 to be adjusted based on cost of living index change from June 1968. The Company has purchased subject to mortgage the remaining two-thirds undivided interest in the property. A portion of the Company's airport is located on this property.

At March 31, 1970, additional major commitments of the Company and their estimated costs are as follows:

|   |             |
|---|-------------|
| Land—Charlotte, North Carolina                                  | \$ 550,000  |
| Golf course and related facilities—Charlotte, North Carolina    | 1,100,000   |
| Completion of golf course and related club facilities—St. Croix | 200,000     |
| Completion of condominiums under construction—St. Croix         | 350,000     |
| Completion of amusement park—Beech Mountain, North Carolina     | 550,000     |
| Completion of dam—Linville, North Carolina                      | 250,000     |
|   | \$3,000,000 |

Substantial funds, in addition to those generated from operations of the Company, will be needed to finance these commitments and development costs (accrued at March 31, 1970 and to be incurred in subsequent years). The Company anticipates that such funds can be obtained as needed.

### Note M—Subsequent Events

Subsequent to March 31, 1970, the Company has borrowed funds totaling \$1,300,000. Such borrowings consisted principally of a capitalized sixty-month lease in the net amount of \$150,000, sixty-month installment equipment notes totaling \$500,000, and a six-month note due November 7, 1970 in the amount of \$500,000. Equipment and real estate with an approximate carrying value of \$1,100,000 and installment notes receivable aggregating approximately \$750,000 have been pledged as security for this indebtedness.

### Stockholders and Board of Directors

Carolina Caribbean Corporation  
Banner Elk, North Carolina

We have examined the consolidated balance sheet of Carolina Caribbean Corporation and subsidiary as of March 31, 1970, and the related statements of consolidated earnings and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, subject to any adjustments which may be required in the event the Company is not allowed to recover its costs of utilities through rates or sale as discussed in Note J, the accompanying balance sheet and statements of earnings and stockholders' equity present fairly the consolidated financial position of Carolina Caribbean Corporation and subsidiary at March 31, 1970, and the consolidated results of their operations and changes in stockholders' equity for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change (which we approve) in the method of accounting for utilities as explained in Note J.

Charlotte, N. C.  
June 19, 1970

ERNST & ERNST