

Lake View Developments, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Operations and Related Entity - Lake View Developments, Inc. (LVDC) owns approximately 204 acres of land adjacent to Lake View Country Club (LVCC) and a water pumping station located on LVCC golf course, which the Company leases to LVCC for \$1 each year. On July 14, 2005, the Company purchased 2 acres of land, including a house, for the purpose of providing sufficient access from a state highway to the 204 acres (See Note F). Approximately 15% of the members of LVCC are shareholders of LVDC and those same members own a minority interest of LVDC. The Company sold golf course assets to LVCC on September 20, 2001.

2. Property and Equipment - Property and equipment are stated at cost. Expenditures for maintenance, repairs and minor renewals are charged against operations as incurred. Expenditures for additions, improvements, replacements, betterments and major renewals are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in operations.

Depreciation is computed using straight-line and accelerated methods for both financial reporting and income tax reporting purposes. The estimated useful lives of the assets are:

Buildings and improvements	10 - 50 Years
Equipment and fixtures	5 - 10 Years

3. Income Taxes - The Company provides for income taxes based on income reported for tax purposes. There are no significant timing differences between the financial statement income and that reported for tax purposes. Any significant tax effects of those differences would be recorded as deferred income taxes. Investment tax credits are accounted for by the "flow-through" method which recognizes the credits as reductions of income tax expense in the year utilized.

4. Earnings Per Shares - Earnings per share are computed based on the weighted average number of shares of common stock outstanding during the year of computation.

5. Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of one month or less to be cash equivalents.

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NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

6. Investments - The company classifies its marketable debt securities as "held to maturity" as it has the positive intent and ability to hold the securities to maturity. Held to maturity securities are carried at amortized cost.

7. Use of Estimates - In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at a financial institution and in a bank investment brokerage account. In accordance with Company policy, the financial institution balances were less than the \$100,000 amount insured by the Federal Deposit Insurance Corporation. Effective October 3, 2008 that limit increased to \$250,000. A significant portion of the Company's cash balances consist of money market funds. Those investments along with the Company's certificates of deposit and U.S. Treasury Securities are held through a bank investment brokerage account which firm is a member of FINRA and SIPC.

The Company's credit risk for the note mortgage note receivable is also concentrated since the note is with only one company. The collateral for the mortgage note receivable is described in Note D.

NOTE C - CERTIFICATES OF DEPOSIT

The certificates of deposit are stated at cost, which approximates market value, and consist of the following at September 30th:

	<u>2009</u>	<u>2008</u>
5.05%, due 3/17/09	\$ -	\$ 75,000
3.10%, due 10/6/08	-	100,000
3.30%, due 10/10/08	-	100,000
4.55%, due 12/26/08	-	100,000
3.25%, due 1/12/09	-	100,000
	<u>\$ -</u>	<u>\$ 475,000</u>

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NOTE D - MORTGAGE NOTE RECEIVABLE AND REAL ESTATE TAX ESCROW

The mortgage note receivable which is stated at its fair value at September 30, 2009 consists of the following:

A note receivable from the Lake View Country Club (LVCC) due December 23, 2012, requiring monthly interest only payments at 4.00% for the first twenty-four (24) months; thereafter, the interest rate shall be adjusted for an additional two year period at a rate based upon the average of a five year commercial fixed mortgage rate as offered by local financial institutions. The note is collateralized by the LVCC's real estate and substantially all other assets.

	\$1,400,000
Less: current portion	<u> -</u>
	<u>\$1,400,000</u>

Additionally, the LVCC is also required to make monthly payments sufficient to pay the annual real estate taxes on the property. These funds are held in escrow by LVDC.

NOTE E - STOCK REDEMPTION PLAN

The Board of Directors approved to buy back outstanding shares of the Corporation common stock. The buy back offering price would be \$100 per share and could be exercised at the sole discretion of the shareholders. The Company acquired 135 shares and 206 shares of stock during the years ended September 30, 2009 and 2008, respectively, and added it to treasury stock.

NOTE F - LAND DEVELOPMENT PLAN

The Company is considering developing most of its raw land for the purpose of selling it as residential lots. In so doing, the Company has engaged several professionals to perform market feasibility studies, environmental studies, wetland studies and land planning studies.

During the year ended September 30, 2006, the Company entered into an agreement with a development contractor for engineering services for the purpose of preparing a master plan and budget for various stages of development of the property. The budget estimates approximately \$50,000,000 to proceed with the master plan. The master plan includes the development of 126 lots and construction of 128 townhouses.

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NOTE F - LAND DEVELOPMENT PLAN - Continued

The Company continues to consider the feasibility of proceeding with the land development project. The cost of the master plan of \$5,352 has been capitalized as land cost.

On July 14, 2005, the Company purchased 2 acres of land for the purpose of providing sufficient access from a state highway to the 204 acres. This land may be used as an entrance way to the residential lots should the Company decide to proceed with the development. The land also includes a house which was being rented under an agreement at \$650 per month plus utilities. That lease arrangement terminated in November, 2006. A new month to month tenant lease for \$1,000 per month with a \$50 monthly prompt payment discount began in November, 2007.