

# Updated Company Information and Disclosure Statement

## Annual Report for the Fiscal Year Ended December 31, 2010

### **Part A: General Company Information**

**Item I: Exact name of issuer and its predecessors (if any).**

Hamptons Luxury Homes, Inc.

**Item II: Address of the issuer's principal executive offices.**

P.O. Box 871  
367 Butter Lane  
Bridgehampton, New York 11932

Phone: 631-537-1600

Fax: 631-537-3951

Websites: [www.hlxhomes.com](http://www.hlxhomes.com)  
[www.telemarkinc.com](http://www.telemarkinc.com)

Investor Relations: Martin E. Janis & Company  
Beverly Jedynek, President  
401 North Michigan Avenue  
Suite 2920  
Chicago, IL 60611

Phone: 312-943-1100

Email: [bjedynak@janispr.com](mailto:bjedynak@janispr.com)

**Item III: Jurisdiction(s) and date of the issuer's incorporation/organization.**

The Company was incorporated as Southampton Partners, Inc. in the State of Delaware, United States on May 15, 1996 and in October 2003, changed its name to Hamptons Luxury Homes, Inc.

### **Part B: Share Structure**

**Item IV: Exact title and class of securities outstanding.**

Title: Hamptons Luxury Homes, Inc.

Class: Common Stock

Trading Symbol: HLXH.PK

CUSIP: 409583101

CIK: 00010346

**Item V: Par or stated value and description of security.**

Par value: \$0.0001 per share

**Item VI: Number of shares outstanding for each class of securities authorized.**

Period end date:	<u>12/31/10</u>	<u>3/--/11</u>
Number of shares authorized:	200,000,000	200,000,000
Number of shares outstanding:	57,971,650	57,971,650
Freely tradable shares (public float):	2,822,500	2,822,500
Total number of beneficial shareholders:	3	3
Total number of shareholders of record:	119	119

**Part C: Business Information**

**Introductory Comment - Use of Terminology**

Throughout this Annual Report the terms the “Company,” “we,” “us” and “our” refers to Hamptons Luxury Homes, Inc. and, unless the context indicates otherwise, our four subsidiaries (Telemark, Inc. (“Telemark”), Telemark Service and Maintenance, Inc. (“TSM”), DWD Construction Services, Inc. (“DWD”) and Bridgehampton Millwork, Inc. (“BMI”)) on a consolidated basis.

**Note Regarding Forward-Looking Statements**

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). To the extent that any statements made in this Annual Report contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as “expect,” “plan,” “will,” “may,” “anticipate,” “believe,” “should,” “intend,” “estimate,” and variations of such words. Forward-looking statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation:

- our ability to raise capital to finance our growth and operations, when needed and terms advantageous to us;
- the ability to manage growth, profitability and the marketability of our services;
- general economic and business conditions;
- the effect on our business of recent credit-tightening throughout the United States, especially within the construction and real estate markets;
- the effect on our business of recently reported losses within the financial, banking and other industries and the effect of such losses on the income and financial condition of our current and potential clients;
- the impact of developments and competition within the real estate and home construction industries;
- adverse results of any legal proceedings;

- the impact of current, pending or future legislation and regulation on the construction and real estate industries, including, but not limited to, changes in zoning and environmental laws and regulations;
- our ability to maintain and enter into relationships with suppliers, vendors or contractors of acceptable quality of goods and services on terms advantageous to us;
- the volatility of our operating results and financial condition;
- our ability to attract and retain qualified senior management personnel; and
- the other risks and uncertainties detailed in this Annual Report and, from time to time, in our other filings with the Securities and Exchange Commission.

Readers of this Annual Report should carefully consider such risks, uncertainties and other information, disclosures and discussions which contain cautionary statements identifying important factors that could cause our actual results to differ materially from those provided in forward-looking statements. Readers should not place undue reliance on forward-looking statements contained in this Annual Report. We do not undertake any obligation to publicly update or revise any forward-looking statements we may make in this Annual Report or elsewhere, whether as a result of new information, future events or otherwise.

**Item VII: Name and address of transfer agent.**

Continental Stock Transfer & Trust Company  
17 Battery Place  
New York, NY 10004

Phone: 212-509-4000

The transfer agent is registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the SEC is the appropriate regulatory authority of the transfer agent.

**Item VIII: Nature of issuer’s business.**

**Section A: Business Development:**

**SIC: 1520 - GEN BUILDING CONTRACTORS – RESIDENTIAL BUILDINGS**

Hamptons Luxury Homes, Inc. is a regional construction services company that builds, provides renovation construction services for and maintains custom homes, luxury vacation homes and ultra-luxury estate homes primarily in the eastern Long Island (New York) communities commonly referred to as the “Hamptons.” Our principal executive and operational offices are located in Bridgehampton, New York. Our wholly owned subsidiary, Telemark Inc., is a nationally recognized and award winning ultra-luxury homebuilder. Telemark was awarded “Custom Builder of the Year” by Custom Builder Magazine in 1998. We maintain an industry leading reputation for construction of custom homes, luxury vacation homes and ultra-luxury estate homes (“High-End Residences”) from foundation to completion, with values ranging up to \$60 million. We combine ultra-high quality materials with the most innovative methods of superb old-world craftsmanship to create the ultimate in luxury homes with outstanding aesthetic appeal.

Our company was incorporated as Southampton Partners, Inc. in the State of Delaware on May 15, 1996 and, in October 2003, we changed our name to Hamptons Luxury Homes, Inc. We were inactive from March 1, 1998 until December 2003. In December 2003, we commenced operations as a builder of single family homes, provider of construction consulting services and a distributor of building materials in the Hamptons area of Long Island, New York.

On April 7, 2006, we acquired all the outstanding common stock of Telemark for 25,000,000 shares of our common stock. At the time of acquisition, our majority stockholders owned all the outstanding shares of Telemark. The acquisition has been recorded under the purchase method of accounting at historical amounts as we and Telemark were under common control.

Our common stock is traded over-the-counter. Our common stock has been available for quotation on the OTC Bulletin Board under the trading symbol “HLXH.OB” since March 17, 2006, with quotes actually commencing on April 18, 2006. On December 31, 2008 we filed a Form 15 with the Securities and Exchange Commission a certification and notice of termination of registration under section 12(g) of the Securities Exchange Act of 1934 or suspension of duty to file reports under sections 13 and 15(d) of the Securities Exchange Act of 1934. We thereafter delisted from the OTCBB and began trading on the Pink Sheets.

We are a party to various legal proceedings arising in the ordinary course of our business, but we are not currently a party to any legal proceeding that we believe would have a material adverse effect on our financial position or results of operations.

## **Section B: Business of Issuer:**

**The Company’s SIC code is 1520. The Company is currently conducting operations and is not, nor has it ever been, a shell company.** We perform our services primarily through wholly-owned subsidiaries as follows:

- Telemark, Inc. (“TI”) manages the construction and renovation of, as well as constructs and renovates High-End Residences, performs restoration services for historical residences and commercial property and provides commercial construction services.
- Telemark Service & Maintenance, Inc. (“TSM”) provides contract carpentry, painting, property management and maintenance and other services.
- DWD Construction Services, Inc. (“DWD”) performs construction administration and advisory services in connection with residential construction and development of major commercial and multiple-use projects.
- Bridgehampton Millwork, Inc. (“BMI”) manufactures and installs custom millwork, custom cabinetry, custom built-ins and furniture.

## **Our Market**

Our primary market is a resort and vacation home market for the affluent citizens of the United States, Europe, and elsewhere throughout the world. The vacation homes or secondary homes in the Hamptons primarily are used for the summer season of Memorial Day through Labor Day and occasionally on weekends throughout the remainder of the year. Residential home owners have a substantial investment in their Hamptons properties that require constant maintenance and management since a significant portion of these owners are present only part-time.

Prior to the economic downturn we planned to implement an acquisition strategy by acquiring certain trade contractors, such as plumbers, electricians, HVAC contractors and landscapers, among others, to create synergies within our present service and maintenance company. Our strategy was to cross sell each of our services and emphasize the simplicity of dealing with one company in the management of the property. We believed that the economies of scale created by a larger, full service construction company would allow our clients to receive a higher quality of service at a more reasonable price.

Due to the present economic conditions and uncertainties we are currently focusing on organic growth and expansion of our current operating companies through increased marketing and advertising. Furthermore, due to the present economic conditions and uncertainties we believe it is more prudent for the Company to continue to focus on the organic growth of the Company rather than take on additional risks associated with an acquisition, roll-up strategy or expanding into other markets. We plan to revisit strategic growth plans once again when the economic conditions improve and become more certain.

### **Our Management**

Our management team includes Roy Dalene, our President and Chief Executive Officer, and Frank Dalene, our Vice-President and Chief Financial Officer, each of whom have over 30 years of construction services industry experience, as well as over 30 years of managing construction services businesses in the Hamptons. We provide further information concerning our management under Part D of this Annual Report.

### **Our Marketing Strategies**

Due to the nature of construction and renovations of residential housing projects in the Hamptons, which represents a significant portion of our business, we believe a construction services company needs to establish a reputation for quality and reliability in order to sustain a long term presence within the market. Our work is primarily generated by word of mouth referrals from past clients, architects, real estate brokers and other members of the community.

We believe Telemark has established and maintained a reputation for quality and reliability for over 30 years in the Hamptons. In 1998, Telemark received a national Custom Builder of the Year Award from Custom Builder Magazine. In addition, articles concerning, and photos of, various Company projects were published in *Architectural Digest*, *Interior Design Magazine*, *House Beautiful Magazine*, *Classic Home Magazine* and cover features in *House Magazine*. As a result, we believe Telemark's name is well branded in the Hamptons due to our excellence in quality work.

Since we acquired Telemark in April 2006, we have co-branded our name with that of Telemark in all of our promotional materials, such as our website, jobsite signage, brochures, hand-outs, presentations, news releases and news articles.

We have developed a website, [www.hlxhomes.com](http://www.hlxhomes.com), to market our products and services which site has a direct link to Telemark's website, located at [www.telemarkinc.com](http://www.telemarkinc.com).

Telemark is a founding member of Hamptons Green Alliance, LLC ("HGA"). HGA is an association of building and related-service professionals in the Hamptons organized to promote green building and maintenance practices. Through its website and other public forums, HGA

provides information on materials, systems and what it considers to be the best practices for building and maintaining carbon-neutral, zero-energy and LEED certified homes.

The members of HGA are considered to be leaders in their respective fields. HGA's goal is to become a resource for proven green and ecological practices.

In July, 2009, HGA made a commitment to rebuild a home (the "HGA House"), that was destroyed by fire, with goals to be *Net-Zero Energy*, *Embodied Carbon Neutral* and *LEED Platinum*. We believe that this may be the first such house built in this country. Articles have been published about the HGA House and the work HGA's members are doing in local newspapers and in local, regional and national magazines. In addition, a local TV station aired a spot describing the HGA House and the work of the HGA members. A documentary was produced and aired on local TV in two minute segments. In addition, a thirty minute documentary segment was produced and will begin airing in 2011. The HGA and its members have leveraged their own advertising campaigns to maximize their advertising dollars by the exposure the project is receiving.

In 2010 the HGA House received a LEED Platinum certification, earning 104 points in the USGBC LEED for Homes program. The HGA House also received a Phase I, Embodied Carbon Negative certification, meaning it reduced more greenhouse gases than it emitted. It appears doubtful the HGA House will achieve Net-Zero Energy status by June 2011 however substantial energy savings were achieved.

The contract price on the HGA House is \$875,000. Telemark and the HGA members agreed to undertake the construction of the project at cost. Telemark will only be able to bill its out-of-pocket costs and will not be able to charge its normal fees.

#### **Item IX: Nature of products or services offered.**

We provide our services through our subsidiaries as follows:

<u>Type of Services</u>	<u>Name of Subsidiary</u>	<u>Description of Services</u>
Construction Services	Telemark, Inc.	Performs all types of construction services as a General Contractor. These services include new construction, renovations, additions, historic restoration, and commercial work.
Service and Maintenance	Telemark Service & Maintenance, Inc.	Provides complete property management, property maintenance, service contracts, insurance repairs, handyman services and small projects.
Millwork	Bridgehampton Millwork, Inc.	Fabricates and installs custom millwork, custom cabinetry, custom built-ins and furniture.
Business Consulting	DWD Construction Service, Inc.	Provides Construction consulting services to homeowners. DWD also provides various consulting services for commercial projects.

All of our products and services are custom designed to our clients' specifications and individual needs. Our construction related services are generally bid on and performed on a cost of materials and labor, plus percentage fee, basis. Service and maintenance is generally performed on a time and materials basis. In certain cases, on small projects, we may perform our services

and provide our products on an agreed fixed price basis. Since the economic collapse the bidding environment became much more competitive, requiring the Company to reduce its margins and commit to lump sum contracts also known as fixed price contracts.

Our products and services include the following:

#### *New Home Construction*

The cost of construction of a new home is a direct result of the design, amenities, the client's selections and the client's budget. We build each home as either a primary residence or as a vacation or secondary home.

#### *Home Renovation*

We provide various renovation services on existing homes. This could mean an addition of living space, the redesign of a specific room or the complete redesign of the home. This service is marketed to both the owners of primary homes, vacation homes or secondary homes, with budgets determined by the individual client's needs.

#### *Building Performance Testing and Energy Audits*

TSM became a Building Performance Institute's Accredited Contractor. As a BPI Accredited Contractor we have an edge against our competition. BPI accreditation differentiates our company by offering our clients house-as-a-system solutions backed by building science and a third party quality assurance program. TSM will be able to provide energy audits on homes and make cost justified solutions for energy savings.

#### *Painting*

Painting services are provided to homeowners as a general maintenance and preventive repair service. These services include both interior and exterior painting as well as spot touch-ups to furniture refinishing. Pricing is dependent on the scope of the work to be performed.

#### *Carpentry Repairs and Maintenance*

Any carpentry item that does not require a building permit to be issued by the local government defines this service. This can be anything from repairing a screen door to replacing a roof. Pricing is generally determined by the amount of time the project will take, the complexity of the project and the cost of materials involved.

#### *Handyman Services*

These services include any miscellaneous small work needed by a client. This could be moving furniture, changing a light bulb or lock to pumping water from a flooded basement.

#### *Consulting Services*

We provide consulting services to:

- homeowners who wish to act as their own general contractor and provide services as a Construction Administrator;
- to land developers who are subdividing large tracks of land;
- commercial developers who need assistance with developing their business plans; and
- owners that need someone on a job site to look out for the owners' best interest as an Owners Representative.

Consulting service is performed on an hourly basis, a fixed fee or a fee based on a percentage of the total cost of construction.

### *Property Management*

We contract with a property owner for all services needed to manage, maintain and repair their property. We evaluate the specific needs of the property and develop annual maintenance and capital improvement budgets with the client's input.

### *Custom Millwork*

Custom millwork includes anything that is made of wood that needs to be customized to meet the individual client's needs. We may design, fabricate and install items such as kitchen cabinets, bookcases, built-in cabinets and shelving, moldings, trim, doors, windows and furniture based on the client's requirements. Each item generally is priced separately depending on the design and specifications. Custom millwork is generally performed on a cost per item basis.

### **Goals of the Company**

Our immediate goal is to increase revenues and income through the organic growth of our current operating subsidiaries by increasing our efforts in marketing and sales. We will also focus on increasing the recurring revenue stream of TSM, our service and maintenance subsidiary.

The building of the HGA House together with receiving five awards, publishing of numerous regional and national articles in magazines, blogs and invitations to speak at major conferences has positioned the Company as a national leader in green building.

Due to the present economic conditions and uncertainties we believe it is more prudent for the Company to continue to focus on the organic growth of the Company rather than take on additional risks associated with an acquisition, roll-up strategy or expanding into other markets. We plan to revisit strategic growth plans once again when the economic conditions improve and become more certain.

### **About Homes We Build**

Luxury vacation homes are architecturally custom designed homes that average approximately 6,000 square feet, with amenities such as pools, pool houses and tennis courts, situated on two to five acres that typically include several custom features including customized kitchens, built-ins, media rooms, custom master suites and custom-designed landscaping. The homes are built for "move-up" vacation home owners, successful Wall Street professionals and business executives.



Ultra-luxury estate homes are architecturally unique custom designed homes that average approximately 12,000 square feet, are situated on more than five acres, generally including a guest house on the property, servant's quarters, staff kitchen, main kitchen, his and her master suites, a theater, custom wood paneled library, exercise room or gym, recreation room or game room, indoor pool and squash or basketball court. Typically, every detail is custom designed and built, sometimes even the furniture. The highest quality of materials, means and methods of construction are used to create an architectural masterpiece that is often sold as a great work of art and not just a home. The properties are typically impeccably manicured and maintained with amenities including gated hedgerows with rare specimens of trees, rose gardens, English gardens and private ponds stocked with fish. These homes are built for the most successful and wealthiest individuals, typically as one of their several homes throughout the world.

We also provide renovation, historic restoration and maintenance services for high-end residences.

### **Property Maintenance Program**

Many vacation home owners spend their weekends in the Hamptons, calling and meeting with many different service providers in order to obtain needed maintenance services. The time required to retain all of the necessary service providers can be extensive because the industry is very fragmented. Some vacation home owners fail to properly maintain their homes which eventually result in costly renovation or repair work to homes that may be relatively recently built. Since vacation home owners occupy their homes part time, the percentage of time required to locate and retain the various services providers in a fragmented industry commonly results in owner frustration. We believe that this provides an opportunity to increase our recurring revenue stream by providing to these owners, through its TSM subsidiary, a maintenance program that consolidates the various maintenance services under one comprehensive property maintenance contract. TSM's motto is "One Contract, One Call, One Check, One Comprehensive Plan." Under this program, TSM first surveys the property and structures from a check list it has developed. TSM then develops a yearly maintenance budget and a capital improvement budget based on its findings. TSM presents a comprehensive maintenance manual to the home owner that incorporates a detailed description of all service provider contracts that it receives from its trade subcontractors. The cost is broken down in detail which enables the homeowner to have a to-do list to check off the work they choose or adopt the entire plan. We then implement the customer-adopted plan by providing (and/or arranging through third party service providers) the provision of the services called for under the customer's plan.

### **Acquisition Strategy**

Prior to the economic downturn we developed an acquisition strategy to further grow the Company. Our strategy included the acquisition of local service providers and trade contractors including the service providers that currently provide subcontractor services for us. The strategy may also provide synergies that will allow us to:

- add to our own client base those that are captured from the acquired entities;
- capture additional revenues that would normally be paid to subcontractors;
- capture income through the economies of scale by centralizing administrative functions, cross-selling other services we provide to the newly acquired client bases;
- provide all services under "one-roof" enhancing control over quality and reliability; and

- generate increased recurring revenues.

We intend to maintain the acquired service provider's goodwill and name branding by structuring the acquired business as wholly owned subsidiaries and require the former business owner to commit to a minimum time period to manage and grow the business.

Due to the present economic conditions and uncertainties we believe it is more prudent for the Company to continue to focus on the organic growth of the Company rather than take on additional risks associated with an acquisition or roll-up strategy. We plan to revisit strategic growth plans once again when the economic conditions improve and become more certain.

### **North Country Entertainment Complex**

DWD Construction Services, Inc. is the Owner's Representative for the development of 928 acres in St. Lawrence County, New York owned by Northway Island Associates, Inc. ("NIA") known as the North Country Entertainment. DWD holds a 10% minority interest in NIA. An internationally renowned architectural firm was retained as well as engineering firms and work was proceeding to obtain the necessary approvals to construct the entertainment complex when NIA lost its funder due to the economic downturn and the project was stopped. Presently, the planned scope of the entertainment complex on approximately 928 acres of land in the St. Lawrence River area of upstate New York consists of a racino, equestrian center, hotels, retail village, indoor arena, three quarter mile enclosed NASCAR style oval speedway, a designer eighteen hole golf course, a high end resort and sporting clays. Presently there is a renewed interest to fund the project however there is no certainty that funding will be secured and the project will be completed.

### **Seasonality**

Construction business in the Northeast portion of the United States is affected by the weather. During unusually harsh winters it is possible that less work may be done in winter months than is done throughout the remainder of the year. During unusually rainy weather it is possible that less work may be done since a portion of the work is performed outdoors.

The Hamptons vacation season is from Memorial Day to Labor Day. Our construction projects typically tend to be scheduled for completion by Memorial Day or, at the latest, by the July 4th weekend. The completion date and the duration of the construction project will determine the start date of the project. For example, if a construction project is required to be completed by Memorial Day of the following year and it is a six month project, we would be required to start that project by late November of the current year. Work, along with revenues and income, varies throughout the duration of a construction project, typically in the shape of a bell curve. We cannot control the start dates and the duration of construction projects; these matters are dependent on the client's desires. It is possible that from quarter to quarter revenues and income can vary due to the combination of construction projects and their respective start dates and durations.

We also provide carpentry and painting labor for our construction projects. There is a profit center in providing carpentry and painting labor. It is possible that the amount of carpentry and painting labor will vary throughout the duration of a construction project and cause variations in the percentage of gross profit and net income in relation to revenues when comparing quarter to quarter at any given time.

It is possible that our service and maintenance operations will experience seasonality fluctuations due to high demand in late-winter and throughout the spring for services to ready properties for the vacation season and due to the increase in maintenance and general repair services during the summer months for clients in residence. The service and maintenance operations generally generate a higher percentage of gross profits and net income. Accordingly, it is possible that the mix of service and maintenance work and construction work may cause variations in the percentage of gross profits and net income in relation to revenues when comparing quarter to quarter results.

### **Economy's Effect on the Company**

The unprecedented economic conditions currently affecting the United States and throughout the world is having an impact on the Company's operations. We are uncertain of the long term effects the economic downturn will have on our business in the future.

Our management team has endured the economic downturn that occurred subsequent to the 1987 stock market crash and the effect of such downturn on the construction industry within the geographic area in which the Company operates. The effect on the real estate market and construction activities at that time included real estate prices plummeting and construction activities, in general, declining. During the 1990 to 1993 period, management observed the newly wealthy coming to the Hamptons area to establish their status. Management also observed that certain wealthy individual's lifestyles were not impacted by the economic downturn. During the six months subsequent to September 11, 2001, management observed construction projects that were scheduled to start were suddenly put on hold until the uncertainty of a global conflict passed. When the uncertainty passed then business continued as usual.

We observed a sharp decline in bidding opportunities and therefore a decline in actual construction projects. Thus, the decreased amount of available bidding opportunities are more competitive and may put us in a position to accept projects at smaller margins thereby reducing profits we normally would expect. We are consistently evaluating our business practices and we are developing new ways of establishing a competitive advantage such as positioning the company as a leader in green building, however, no assurance can be given that this will result in the realization of consistent, or any, revenues for the Company going forward.

There are no assurances that the present economic conditions will improve and have a positive impact on construction activities in the areas in which we operate. There is a possibility that the present economic conditions will deepen, become long-term and have a materially adverse effect on construction activities in our area of operation and on our operational results and financial condition.

### **Sales Activity and Backlog**

We are working with potential clients to assist them in various stages of design and approvals on future work. Bidding and working with potential clients to assist them in various stages of design and approvals represents a pipeline of future work that may become contracts within the next six to twelve months. There can be no assurances that all or any of these bids or other potential work will result in contract commitments. In addition, our acceptance of work may not result in net income to us. A failure to realize anticipated revenues may have a material adverse effect on the value of our common stock.

## **Competition**

The residential house building and renovation business is highly competitive and fragmented. We compete with numerous home builders and renovators of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we have. Sales of existing homes also provide competition. We compete primarily on the basis of price, location, design, quality, service and reputation; however, we believe our reputation and financial stability, relative to most others in our industry and market, has become an increasingly favorable competitive factor. Increasing local legislation mandating Energy Star Homes, LEED for Homes or NAHB Green Building Standard certifications and the increasing costs of energy has created a demand on green building practices and energy efficient building practices. As a result of the work performed by the HGA on the HGA House we have received national recognition for the work we are performing in green building and it has established us as national leaders in the green building movement. We believe this will provide a competitive advantage for us in our market place.

## **Sources of Materials**

The homebuilding industry has from time to time experienced raw material and labor shortages. In particular, shortages and fluctuations in the price of lumber or in other important raw materials could result in delays in the start or completion of, or increase the cost of construction. In addition, we contract with subcontractors to construct our homes. Therefore, the timing and quality of our construction depends on the availability, skill and cost of our subcontractors. Delays or cost increases caused by shortages and price fluctuations could have an impact on the timing of completion of a project.

We believe that we will continue to have adequate access to materials and qualified skilled labor and subcontractors into the foreseeable future.

## **Regulation and Environmental Matters**

We are subject to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulations which impose restrictive zoning and density requirements in order to limit the number and size of homes that can eventually be built within the boundaries of a particular property or locality. There has been an increase in state and local legislation authorizing the acquisition of land as dedicated open space, mainly by governmental, quasi-public and non-profit entities. In addition, we are subject to various licensing, registration and filing requirements in connection with the construction, advertisement and sale of residential and commercial properties. The impact of these laws has been to increase our overall costs, and may have delayed construction and renovation projects for our customers.

We also are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning protection of public health and the environment (“environmental laws”). The particular environmental laws that apply to any given project vary greatly according to the location and environmental condition of the site, and the present and former uses of the site. Complying with these environmental laws may result in delays, may cause us to incur substantial compliance and other costs, and/or may prohibit or severely restrict construction and renovation projects in certain environmentally sensitive regions or areas.

## **Employees**

At March 7, 2011, we employed eleven persons on a full-time basis and one part-time. We also retain additional labor as required in order to meet our client's demands, which may vary significantly between short-time periods, with the largest increase in temporary labor during the height of the construction season of mid-Spring through late-Fall. Of the eleven full-time employees at March 7, 2011, two were in executive management positions, two were engaged in sales activities, three were in project management activities, one was engaged in millwork operations and three performed administrative and clerical functions. We are not subject to any collective bargaining agreement that covered any of our employees. We consider our employee relations to be good.

## **Item X: Nature and extent of issuer's facilities**

Our principal executive offices are located at 367 Butter Lane, Bridgehampton, New York. These premises are also utilized for millwork and storage and cover approximately 16,000 square feet. We lease these facilities from a company owned by our chief executive and chief financial officers under a written triple net lease that provides for base payments totaling \$199,200 for the period of April 7, 2010 through April 6, 2011. We anticipate entering into a new lease for the next succeeding twelve month period under similar rental terms.

We believe that our existing facilities provide us with adequate space for our present operations for the near term.

We do not own nor do we contemplate owning any real property in the foreseeable future; however, we may choose to enter into joint ventures to acquire and develop real property. We do not currently have any policy imposing limitations, whether by quantity or type, with respect to investments in real estate or interests in real estate, investments in real estate mortgages or the securities of or interests in persons primarily engaged in real estate activities. Additionally, there is no policy currently in effect regarding investments in real estate for possible capital gain or income. It is not anticipated that the creation of any policy regarding real estate investments, and changes to any such policy if created, will require a vote of holders of our securities.

## **Part D: Management Structure and Financial Information**

### **Item XI: Name of CEO, member of the board of directors, control persons.**

#### **Section A: Officers and Directors**

Our current executive officers and directors, each with a business address that is the same as the Company, are as follows:

<u>Name</u>	<u>Age</u>	<u>Title</u>	<u>Director Since</u>
Roy Dalene	53	President, Chief Executive Officer and Chairman of the Board of Directors	2003
Frank Dalene	57	Vice President, Chief Financial Officer, Secretary, Treasurer and Director	2003

Set forth below is a summary of the business experience of our current executive officers and directors, based on information they have provided to us:

**Roy Dalene** assumed each of his positions in December 2003. He is also a senior vice president and co-founder of Telemark, Inc. (which was founded in 1978 as Telemark Construction, Inc.), a construction company based in Bridgehampton, New York which serves as our primary builder on our homebuilding contracts. Prior thereto, he was employed by Bechtel Power Corporation. He is active in professional and civic affairs and has served on the Advisory Board for *Custom Builder Magazine* and *Custom Builder National Conference and Expo*. Mr. Dalene has served on the East Hampton Town Home Improvement Licensing Review Board since 1986 and as the Chairman of the East Hampton Town Home Improvement Licensing Review Board since 1995. He served on the Board of Directors of the Business Alliance for the Town of Southampton. Mr. Dalene served as a member of the Town of East Hampton Youth Advisory Board. He is a Board member of the East Hampton Lions Club, and served as President in 2004 and 2007. He is active in many civic and philanthropic endeavors and served as a judge for the ARDA Custom Home of the Year Award. Mr. Dalene, who is the brother of Frank Dalene, our chief financial officer, received his Bachelor of Science degree in Civil Engineering from Polytechnic Institute of New York.

**Frank Dalene** assumed each of his positions in December 2003. He is president and a co-founder of Telemark, Inc. He is active in professional and civic affairs and has served on the Advisory Board for *Custom Builder Magazine* and *Custom Builder National Conference and Expo*. He served as an Advisory Board member for The American Council of Construction Consultants, Co-Chaired the Education Committee of the Long Island Builders Institute and served on the Business Advisory Council of the National Republican Congressional Committee. Mr. Dalene also served on the Board of Directors of the Long Island Builders Institute, (“LIBI”) on the Board of Directors of the New York State Builders Association and the National Association of Home Builders. He co-founded the East End Chapter of LIBI and served on the Executive Board. Mr. Dalene was a member of New York State Builders Association and National Association of Home Builders. Mr. Dalene is past president of the East Hampton Lions Club and serves on the Energy Committee in the Town of East Hampton. He is an author, is active in many civic and philanthropic endeavors, served as a judge for the *Custom Home Magazine’s* Custom Home Design Awards and *American Homestyle and Gardening* Kitchen and Bath Design Awards. Mr. Dalene, who is the brother of Roy Dalene, our chief executive officer, received his Bachelor of Arts Degree from Nyack College.

### **Board of Directors**

Each of our directors holds office until the completion of their term of office, which is not longer than three years, or until such director’s successor has been duly elected and qualified, or until such director’s earlier resignation or removal.

### **Committees of the Board of Directors**

Our board of directors has not established standing audit, nominating or compensation committees, or committees performing similar functions, to assist it in the discharge of the board’s duties.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and persons who own more than 10% of our equity securities are required by regulation

to furnish us with copies of all Section 16(a) forms they file with the Securities and Exchange Commission. Based solely on our review of the copies of those reports received by us, or written representations from certain reporting persons that no other reports were required for those persons, we are not aware of any failures to file reports or report transactions in a timely manner during our fiscal year ended December 31, 2010.

### Executive Compensation.

The following table sets forth, with respect to our fiscal years ended December 31, 2010 and 2009, all compensation earned by all persons who served as our chief executive officer or chief financial officer at any time during our fiscal year ended December 31, 2010 and 2009. We did not have any other person who was serving as an executive officer of our company as of the close of business on December 31, 2010 whose total annual salary and bonus earned during our fiscal year ended December 31, 2010 exceeded \$100,000.

**Summary Compensation Table**

Name and Principal Position	Fiscal Year Ended	Annual Compensation			Long-Term Compensation Awards
		Salary	Bonus	Other Annual Compensation	Securities Underlying Options
Roy Dalene, Chairman, Chief Executive Officer and President	December 31, 2010	\$ 200,000	\$ 0	\$ 0 (1)	None
	December 31, 2009	200,000	0	0 (1)	None
Frank Dalene, Chief Financial Officer and Vice President	December 31, 2010	\$ 200,000	\$ 0	\$ 0 (2)	None
	December 31, 2009	200,000	0	0 (2)	None

- (1) Does not include perquisites which totaled under \$10,000 for each of the fiscal years ended December 31, 2010 and 2009.
- (2) Does not include perquisites which totaled under \$10,000 for each of the fiscal years ended December 31, 2010 and 2009.

### Option Grants to Named Executive Officers

We did not grant any options to any of our named executive officers listed in the Summary Compensation Table during our fiscal year ended December 31, 2010, nor during any previous period.

### Pension Benefits

We did not have in place during our fiscal year ended December 31, 2010, nor for any previous period, any plan or arrangement that provides for payments or other benefits at, following or in connection with the retirement or any of our named executive officers listed in the Summary Compensation Table.

### Employment Agreements

We do not have any written employment-related agreements with either Roy Dalene, our President, Chief Executive officer and Chairman of our Board of Directors, or Frank Dalene, our Chief Financial Officer and Vice President.

**Director Compensation**

We currently do not compensate our directors for serving in such capacity.

**Section B: Legal/disciplinary History:**

The officers and directors are not the subject of any legal or disciplinary proceedings, nor has either of them been the subject of any legal or disciplinary proceeding within the last five years.

**Section C: Disclosure of Family Relationships:**

Roy Dalene and Frank Dalene are brothers.

**Section D: Disclosure of Related Party Transactions:**

Our current office space is rented from a limited liability company owned by two of our executive officers. For more information concerning this related party transaction, see Item 10 of this Annual Report.

A company owned by Robert A. Wilson, a former officer and director of our Company and the current owner of more than 5% of our outstanding common stock, received consulting services fees of \$28,848 during our fiscal year ended December 31, 2008 and \$125,000 during our fiscal year ended December 31, 2007. The company owned by Robert A. Wilson ceased performing services on March 20, 2008.

**Section E. Disclosure of Conflicts of Interest:**

None



**Item XII: Financial information for the issuer's most recent fiscal period.**

<b>HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES</b>		
<b>CONSOLIDATED BALANCE SHEET</b>		
	<b>December 31,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 436,331	\$ 402,523
Contracts receivable, Net	1,085,101	562,948
Income tax Receivable	25,300	35,301
Prepaid expenses and other current assets	9,685	50,181
<b>Total current assets</b>	<b>1,556,417</b>	<b>1,050,953</b>
Property and equipment, net	34,978	50,562
Deferred tax asset	68,000	68,000
Other assets	16,600	16,600
<b>Total Assets</b>	<b>\$ 1,675,995</b>	<b>\$ 1,186,115</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 910,708	\$ 248,856
Due to affiliate	25,224	-
Accrued expenses and other current liabilities	19,911	57,697
Billings in excess of costs and estimated earnings on uncompleted contracts	128,304	-
<b>Total current liabilities</b>	<b>1,084,147</b>	<b>306,553</b>
<b>Stockholders' Equity</b>		
Common stock, par value \$0.0001, 200,000,000 shares authorized, 57,971,650 shares issued and outstanding	5,797	5,797
Additional paid-in capital	546,963	546,963
Retained earnings	39,088	326,802
<b>Total Stockholders' Equity</b>	<b>591,848</b>	<b>879,562</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,675,995</b>	<b>\$ 1,186,115</b>

The accompanying notes are an integral part of the consolidated financial statements

<b>HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES</b>			
<b>CONSOLIDATED STATEMENT OF OPERATIONS</b>			
<b>FOR THE YEARS ENDED</b>			
	<b>December 31,</b>		
		<b>2010</b>	<b>2009</b>
Contract and service revenues	\$	7,156,354	\$ 4,858,116
Contract and service costs		5,774,266	3,358,591
Gross profit		1,382,088	1,499,525
Selling, general and administrative expenses		1,727,246	1,727,034
Income (Loss) from operations		(345,158)	(227,509)
Other income (expense):			
Interest income (expense), net		(3,481)	5,783
Equity in income of joint venture			(1,196)
Income (Loss) before income taxes		(348,639)	(222,922)
Income tax (benefit) expense		(60,925)	(92,000)
Net loss	\$	(287,714)	\$ (130,922)
Basic and diluted earnings per common share	\$ *		\$ *
Basic weighted average number of common shares outstanding		57,971,650	57,971,650
Diluted weighted average number of common shares outstanding		57,971,650	57,971,650
* Less than \$0.01 per share			

The accompanying notes are an integral part of the consolidated financial statements

HAMPTONS LUXURY HOMES, INC.						
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY						
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009						
	Common Stock		Additional			Total
			Paid-In		Retained	Stockholders'
	Shares	Amount	Capital		Earnings (Deficit)	Equity
Balance at December 31, 2008	57,971,650	\$ 5,797	\$ 546,963	\$	457,724	\$ 1,010,484
Net Income/Loss - 2009	-	-			(130,922)	(130,922)
Balance at December 31, 2009	57,971,650	\$ 5,797	\$ 546,963	\$	326,802	\$ 879,562
Net Income/Loss - 2010	-	-			(287,714)	(287,714)
Balance at December 31, 2010	57,971,650	\$ 5,797	\$ 546,963	\$	39,088	\$ 591,848

The accompanying notes are an integral part of the consolidated financial statements

<b>HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES</b>			
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>			
	<b>For the year ended</b>		
	<b>December 31,</b>		
	<b>2010</b>	<b>2009</b>	
<b>Cash flows from operating activities:</b>			
Net Loss	\$ (287,714)	\$	(130,922)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in loss from investment in joint venture			1,196
Depreciation and amortization	18,916		18,600
Changes in assets and liabilities			
Contract receivables	(522,153)		418,325
Income tax receivable	10,001		104,923
Prepaid expenses and other current assets	40,496		9,114
Accounts payable	661,852		(294,922)
Accrued expenses and other current liabilities	(37,786)		26,052
Billings in excess of cost	128,304		-
Deferred income taxes	-		(92,000)
<b>Net cash provided by operating activities</b>	<b>11,916</b>		<b>60,366</b>
<b>Cash flows from investing activities:</b>			
Return on investment in joint venture			22,500
Purchases of property and equipment	(3,332)		(2,291)
<b>Net cash provided by (used in) investing activities</b>	<b>(3,332)</b>		<b>20,209</b>
<b>Cash flows from financing activities:</b>			
Loan from affiliated company	25,224		-
<b>Net cash provided by financing activities</b>	<b>25,224</b>		<b>-</b>
<b>Net increase in cash</b>	<b>33,808</b>		<b>80,575</b>
<b>Cash, beginning of period</b>	<b>402,523</b>		<b>321,948</b>
<b>Cash, end of period</b>	<b>\$ 436,331</b>	<b>\$</b>	<b>402,523</b>
<b>Supplemental disclosure of cash flow information:</b>			
Interest expense	\$ 5,719	\$	-
Taxes paid	\$ 2,428	\$	4,201

The accompanying notes are an integral part of the consolidated financial statements

**HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR END 2010**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION**

Hamptons Luxury Homes, Inc. (the “Company” or “HLH”) was incorporated as Southampton Partners, Inc. in the State of Delaware on May 15, 1996 and, in October 2003, the Company changed its name to Hamptons Luxury Homes, Inc. The Company was inactive from March 1, 1998 until December 2003. In December 2003, the Company commenced operations as a builder of single-family homes, provider of construction consulting services and a distributor of building materials in the Hamptons area of Long Island, New York.

In April 2005, the Company formed a wholly owned subsidiary, DWD Construction Services, Inc., (“DWD”) to perform construction supervision and advisory services in connection with the construction of homes and business development of major commercial projects.

The Company primarily operates through its wholly-owned subsidiaries Telemark, Inc. (“Telemark”), which constructs, renovates and restores luxury homes and commercial property and manages construction, Telemark Service and Maintenance, Inc., (“TSM”), which provides ongoing property management and maintenance services and Bridgehampton Millwork Inc., (“BMI”), which provides custom cabinetry and custom built-ins and furniture.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of the 100% owned subsidiaries.

Investments in 50% or less owned entities are accounted for using the equity method. Under the equity method, the Company includes the net income or loss from the equity entity.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 as well as the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue and Cost Recognition

Construction work is generally performed under cost-plus contracts. The services performed under these contracts are generally subcontracted to various trade contractors. The lengths of the Company’s contracts vary, but typically range from less than one year to two years.

The Company accounts for long-term, fixed fee contracts on the percentage-of-completion method, and income is recognized as work on contracts progress, but estimated losses on contracts in progress are charged to operations immediately.

Revenues from long term, cost-plus construction contracts are recognized monthly as amounts are billed by subcontractors in accordance with the terms of the contracts. Contracts are cancellable for nonpayment and require payment for work through the date of cancellation.

Contract costs include all direct material and labor costs and all other direct and indirect costs related to contract performance, on a monthly basis. General and administrative costs are charged to expenses as incurred.

#### Contracts Receivable

Contracts receivable consisted of amounts due from customers. The Company records a provision for doubtful receivables, if necessary, to allow for any amounts which may be unrecoverable, which is based upon an analysis of the Company's prior collection experience, customer creditworthiness and current economic trends. As of December 31, 2010, the Company set up an allowance provision for doubtful receivable in the amount of \$123,000.

#### Property and Equipment

Property and equipment has been stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred.

When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation and amortization of property and equipment has been provided utilizing straight-line and accelerated methods over the estimated useful lives of the respective assets, as follows:

Computer equipment	5 years
Furniture and fixtures	7 years
Machinery and equipment	7 years

#### Valuation of long-lived Assets

The Company evaluates the carrying values of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized for the difference. For the years ended December 31, 2010 and 2009, there were no impairment charges relating to long-lived assets.

#### Financial Instruments

The carrying amounts of financial instruments, including contracts receivable, income tax receivable, prepaid expenses and other current assets, other assets, accounts payable, accrued

expenses and other current liabilities approximate their fair values because of their relatively short maturities.

### Advertising

Advertising costs are charged to operations as incurred. The total amount of advertising cost included in selling, general and administrative expense was \$65,127 and \$65,134, for the years ended December 31, 2010 and 2009, respectively.

### Net Income (Loss) Per Common Share

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted net earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period plus dilutive common stock equivalents, using the treasury stock method.

### Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are recorded based on temporary differences between the amounts reported for financial reporting purposes and the amounts deductible for income tax purposes. In accordance with the provisions of ASC 740, the Company assesses the realizability of its deferred tax assets. A valuation allowance must be established when, based upon available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized.

Provisions (benefits) for federal and state income taxes are calculated on reported pretax earnings (losses) based on current tax law and also include, in the applicable period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions (benefits) differ from the amounts currently receivable or payable because certain items of income and expense are recognized for financial reporting purposes in different periods than for income tax purposes. Significant judgment is required in determining income tax provisions (benefits) and evaluating tax positions. The Company establishes reserves for income taxes when, despite the belief that its tax positions are fully supportable, it believes that its positions may be challenged and disallowed by various tax authorities. The consolidated tax provision (benefits) and related accruals include the impact of such reasonably estimable disallowances as deemed appropriate. To the extent that the probable tax outcome of these matters changes, such changes in estimates will impact the income tax provision (benefit) in the period in which such determination is made.

Effective January 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48") as codified in ASC 740. ASC 740 clarifies the accounting for uncertainty in income taxes recognized and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. ASC 740 requires a company to recognize the financial statement effect of a tax

position when it is “more-likely-than-not” (defined as a substantiated likelihood of more than 50%), based on the technical merits of the position, that the position will be sustained upon examination. A tax position that meets the “more-likely-than-not” recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The inability of the Company to determine that a tax position meets the “more-likely-than-not” recognition threshold does not mean that the Internal Revenue Service (“IRS”) or any other taxing authority will disagree with the position that the Company has taken.

If a tax position does not meet the “more-likely-than-not” recognition threshold, despite the Company’s belief that its filing position is supportable, the benefit of that tax position is not recognized in the financial statements and the Company is required to accrue potential interest and penalties until the uncertainty is resolved. Potential interest and penalties are recognized as a component of the provision for income taxes which is consistent with the Company’s historical accounting policy. Differences between amounts taken in a tax return and amounts recognized in the financial statements are considered unrecognized tax benefits. The Company believes that it has a reasonable basis for each of its filing positions and intends to defend those positions if challenged by the IRS or another taxing jurisdiction. If the IRS or other taxing authorities do not disagree with the Company’s position, and after the statute of limitations expires, the Company will recognize the unrecognized tax benefit in the period that the uncertainty of the tax position is eliminated.

#### Income Taxes — Valuation Allowance

Significant judgment is required in estimating valuation allowances for deferred tax assets. In accordance with ASC 740, a valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more likely than not that such asset will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. The Company periodically assesses the need for valuation allowances for deferred tax assets based on ASC 740’s “more-likely-than-not” realization threshold criterion. In the Company’s assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative income and losses, forecasts of future profitability, the duration of statutory carryback or carryforward periods, its experience with operating loss and tax credit carryforwards being used before expiration, and tax planning alternatives.

In accordance with ASC 740, the Company assesses whether a valuation allowance should be established based on its determination of whether it is more likely than not that some or all of the deferred tax assets will not be realized. The Company’s assessment of the need for a valuation allowance on its deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in its consolidated financial statements or tax returns. The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, on business plans and other expectations about future outcomes. Changes in existing tax laws or rates could affect actual tax results and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. The Company’s accounting for deferred tax assets represents its best estimate of future events using the guidance provided by ASC 740.



Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods (carryforward period assumptions), it is reasonably possible that actual results could differ from the estimates used in the Company's historical analyses. The Company's assumptions require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. If the Company's results of operations are less than projected and there is insufficient objectively verifiable evidence to support the likely realization of its deferred tax assets, a valuation allowance would be required to reduce or eliminate its deferred tax assets.

### Stock-Based Compensation

Effective November 1, 2005, the Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" as codified in ASC 718, "Compensation — Stock Compensation" ("ASC 718") and recognized compensation expense in its financial statements. ASC 718 requires the disclosure of the estimated fair value of employee option grants and restricted stock units, and their impact on net income using option pricing models that are designed to estimate the value of options that, unlike employee stock options, can be traded at any time and are transferable. In addition to restrictions on trading, employee stock options may include other restrictions such as vesting periods. Further, such models require the input of highly subjective assumptions, including the expected volatility of the stock price.

### Subsequent Events

The Company has evaluated subsequent events occurring after December 31, 2010 through February 18, 2011 and has made appropriate disclosures pursuant to ASC 855, "Subsequent Events"

### Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" as codified in ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 provides guidance for using fair value to measure assets and liabilities. ASC 820 also responds to investors' requests for expanded information about the extent to which a company measures assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The Company adopted ASC 820 with respect to financial instruments effective for its year beginning January 1, 2008 without any effect.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment to ARB No. 51" as codified in ASC 810, "Consolidation" ("ASC 810"). Under the provisions of ASC 810, a noncontrolling interest in a subsidiary, or minority interest, must be classified as equity and the amount of consolidated net income (loss) specifically attributable to the minority interest must be clearly identified in the consolidated statement of operations. ASC 810 also requires consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any noncontrolling interest retained in a deconsolidation. ASC 810 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company adopted ASC 810 effective for its year beginning January 1, 2009 without any effect.

In April 2009, the FASB issued FSP No. FAS 107-1 and Accounting Principles Board (“APB”) Opinion No. 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP 107-1”) as codified in ASC 825. FSP 107-1 amends SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” and APB Opinion No. 28, “Interim Financial Reporting,” to require disclosures about the fair value of financial instruments during interim reporting periods. FSP 107-1 is effective for interim and annual periods ending after June 15, 2009. The Company has included the required disclosures in its financial statements for the year ended December 31, 2009. The adoption of FSP 107-1 did not have a material impact on the Company’s consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” as codified in ASC 855, “Subsequent Events” (“ASC 855”). ASC 855 provides guidance regarding general standards of accounting for, and disclosures of, events that occur after the date of the balance sheet, but before financial statements are issued or are available to be issued. ASC 855 sets forth: (i) the period after the date of the balance sheet during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the date of the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions that occurred after the date of the balance sheet. ASC 855 was effective for interim periods ending after June 15, 2009. The adoption did not have a material impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” (“SFAS 167”). SFAS 167 has not yet been codified. SFAS 167 eliminates FASB Interpretation 46(R)’s exceptions to consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary of a variable interest entity, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. SFAS 167 is effective for annual reporting periods beginning after November 15, 2009. Earlier application is prohibited. The Company is currently assessing the impact, if any, of SFAS 167 on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162” (“SFAS 168”), as codified in ASC 105 “Generally Accepted Accounting Principles” (“ASC 105”), as the single source of authoritative nongovernmental U.S. GAAP. ASC 105 did not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents were superseded and all other accounting literature not included in the codification is considered nonauthoritative. ASC 105 was effective for the Company’s 2009 annual reporting period and did not have an impact on the Company’s financial condition or results of operations.

In August 2009, the FASB issued Accounting Standards Update No. 2009-5, “Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value,” (“ASU 2009-5”), which amends ASC 820 to provide additional guidance to clarify the measurement of liabilities at fair value in the absence of observable market information. ASU 2009-5 is effective for the Company beginning November 1, 2009. The adoption of ASU 2009-5 did not have a material impact on the Company’s consolidated financial position, results of operations and cash flows.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

### **NOTE 3 - CONCENTRATION OF CREDIT RISK**

From time to time, the Company maintains cash in financial institutions in excess of insured limits. In assessing its risk, the Company's policy is to maintain cash only with reputable financial institutions.

For the years ended December 31, 2010 and 2009, revenue included 60% and 55% from the Company's three largest customers, respectively. In addition, at December 31, 2010 and 2009, the same three customers above represented 62% and 63% of contract receivables, respectively.

### **NOTE 4 - PROPERTY AND EQUIPMENT**

As of December 31, 2010 and 2009, property and equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 273,929	\$ 270,597
Office furniture and equipment	204,846	204,846
	<u>478,775</u>	<u>475,443</u>
Less: Accumulated depreciation	443,797	424,881
	<u>\$ 34,978</u>	<u>\$ 50,562</u>

For the years ended December 31, 2010 and 2009, depreciation expense was \$18,916 and \$18,600, respectively.

### **NOTE 5 – ADVANCES TO AND INVESTMENT IN JOINT VENTURE**

Investment in joint venture consisted of a 50% limited liability company interest in Architectural Woodworking of the Hamptons, LLC (AWH). During 2009, AWH seized operations and liquidated all assets and liabilities

The summarized financial statements of AWH are as follows:

Income Statement for the years ended December 31,

	<u>2009</u>
Revenues	\$ 3,756
Expenses	<u>4,496</u>
Net Loss	<u>(740)</u>
Company's share of net income	<u>\$ 370</u>

Advances to joint venture	\$ 22,500
---------------------------	-----------

For the year ended December 31, 2009, revenues of AWH included 100% of revenues from the Company.

#### **NOTE 6 – COST AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS**

	<u><b>2010</b></u>
Costs incurred on uncompleted contracts	\$ 2,721,590
Estimated earnings	<u>484,218</u>
	3,205,808
Less Billings to date	<u>3,334,112</u>
Total Billings in excess of cost	<u><u>\$ ( 128,304)</u></u>

Included in the accompanying consolidated balance sheet under the following captions:

Billings in excess of costs and estimated earnings on uncompleted contracts was \$128,304.

The total contract value of contracts in progress as of December 31, 2010, approximately \$4,975,000.

#### **NOTE 7 – ACCRUED EXPENSES**

Accrued expenses at December 31, 2010 and 2009 consisted of the following:

	<b>2010</b>	<b>2009</b>
Accrued Payroll	\$ 19,137	\$37,833
Accrued Workers Compensation		11,862
Other	<u>774</u>	<u>- 8,002</u>
	\$ <u>19,911</u>	\$ <u>57,697</u>

#### **NOTE 8 – DUE TO AFFILIATE**

On August 13, 2010, the Company entered into an agreement to borrow, from time to time, up to \$200,000 from Potato Barn, LLC, an affiliated entity under common control with the Company. The advances are due on demand and bears interest at Prime (3.25% at December 31, 2010). As of December 31, 2010 the balance outstanding is \$25,224 and the total interest paid during 2010 amounted to \$842.

#### **NOTE 9 – STOCKHOLDERS' EQUITY**

In May 2006, the Company paid \$5,000 in cash and issued a warrant to purchase 25,000 shares of the Company's common stock in exchange for consulting and marketing services. The fair

value of the warrants was \$34,750. Each warrant is exercisable at \$1.98, per share, through May 1, 2011.

#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

On February 11, 2008, the Company entered into an employment agreement with a vice president/chief accounting officer through February 11, 2010. Compensation under the agreement was to include an annual salary of \$90,000, a bonus to be determined and an option to purchase up to 250,000 shares of the Company's common stock. The options are exercisable, at the closing market price of the common stock on the date of the option grants (\$.08, per share, for the initial grant), for periods of five years. The options issued were valued at \$7,250, using a Black-Scholes option pricing model assuming a risk free interest rate of 5.0%, average life of 5 years and expected volatility of 30%. On March 20, 2008, the officer was terminated and retained the initial option. The Company does not believe there will be any addition expenses related to the termination.

On March 24, 2008, the Company entered into an employment agreement with a vice president/director of operations through March 2010. Compensation under the agreement includes a base salary of \$110,000, per year, and incentives based on the Company's attainment of to be agreed-upon levels of sales and earnings and an option to acquire 200,000 shares of common stock. The option is exercisable at \$.08, per share, through March 24, 2013. If the employee continues to be employed on March 24, 2009, the Company will grant the employee an option to purchase an additional 200,000 shares of common stock, exercisable at a price equal to the market price of the common stock on the date of grant, through March 2014. The options issued were valued at \$5,800, using a Black-Scholes option pricing model assuming a risk free interest rate of 5.0%, average life of 5 years, and expected volatility of 30%. On July 26, 2010 the employee resigned from the Company and the position has not been filled.

On April 28, 2008, the Company was notified by the Occupational Safety and Health Administration of the U.S. Department of Labor ("OSHA") that a complaint has been filed with OSHA by Arthur R. Williams, the former chief accounting officer of the Company, alleging discriminatory employment practices, et al. The former chief accounting officer, aside from other remedies, was seeking damages for lost future compensation of \$990,000, plus lost bonuses and the value of options to purchase an additional 250,000 shares of common stock of the Company.

On December 3, 2010, OSHA dismissed the complaint against the Company. Mr. Williams had 30 days to file an objection and request a hearing, however, since he failed to do so, OSHA's order is final, non-appealable and not subject to court review.

On March 2, 2011, the Company filed a complaint against the former chief accounting officer with the New York State Education Department, State Board for Public Accounting, Professional Ethics Committee. The Company's complaint alleges a general lack of competence, and accounting incompetence as related to revenue recognition. Mr. Williams has not yet responded to these allegations.

On April 3, 2009, an action was commenced in the U.S. District Court for the Eastern District of New York against the Company, the Company's two executive officers and principal stockholders, the Company's outside counsel and the Company's independent auditors. This

action was brought by an individual, appearing *pro se*, who claims to be the owner of an entity that acted as a consultant to the Company and who is a former executive officer and director of the Company and holds approximately 10 million shares of the Company's common stock. The Company terminated the consultant on March 20, 2008 and has paid the consulting entity all consulting fees for all periods through the date of termination. The plaintiff sought a preliminary injunction against the Company seeking alleged consulting fees due the consultant entity. The request for injunctive relief was denied. In his complaint, the plaintiff alleges that the Company committed securities fraud by failing to implement a roll-up strategy. The plaintiff further alleges that the Company filed reports with the U.S. Securities and Exchange Commission that included financial statements that were not prepared in conformity with accounting principles generally accepted in the United States. The complaint also alleges that the consulting entity was terminated because of its alleged whistleblower complaints to numerous governmental authorities and others, including the Financial Industry Regulatory Authority, Inc., concerning violations of securities and other laws. Despite naming the Company's outside counsel and auditors as defendants, the complaint fails to state any specific allegations against the Company's outside counsel and auditors. The court granted plaintiff the opportunity to re-plead his complaint.

On January 4, 2010, a United States Magistrate Judge at the U.S. District Court for the Eastern District of New York recommended that summary judgment be entered in favor of the defendants in this action and that the complaint, as amended, filed by the plaintiff be dismissed in its entirety. The U.S. District Court for the Eastern District of New York granted summary judgment in favor of the defendants, but allowed the plaintiff to re-plead his complaint. After he filed his second amended complaint, the Company moved to dismiss the complaint. On January 1, 2011, the U.S. District Court for the Eastern District of New York issued a memorandum and order dismissing the plaintiff's second amended complaint with prejudice and judgment to that effect was entered on January 24, 2011. The plaintiff then filed a notice of appeal with the U.S. Court of Appeals for the Second Circuit, which notice has not yet been perfected.

## NOTE 11 – INCOME TAXES

As of December 31, 2010, management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements. Federal and state tax returns for the years ended December 31, 2010, and 2009 are still subject to review by taxing authorities.

For the years ended December 31, 2010 and 2009, income tax expense consisted of the following:

	2010	2009
	<hr/>	<hr/>
<u>Federal</u>		
Current	\$	\$
Deferred	(48,740)	(74,000)
	<hr/>	<hr/>
	(48,740)	(74,000)
<u>State</u>		
Current		

Deferred	(12,185)	(18,000)
	<u>(12,185)</u>	<u>(18,000)</u>
	<u>\$ (60,925)</u>	<u>\$ (92,000)</u>

As of December 31, 2010 and 2009, the components of the deferred income taxes asset (payable) consisted of:

	<u>2010</u>	<u>2009</u>
Net operating loss carryforwards	99,000	88,000
Doubtful accounts receivables	50,000	
Depreciation	(15,000)	(20,000)
Total deferred tax asset	<u>134,000</u>	<u>68,000</u>
Less valuation allowance	(66,000)	0
Total Deferred Tax asset	<u>\$ 68,000</u>	<u>\$ 68,000</u>

As of December 31, 2009, the Company had net operating loss carryforwards (NOL) of approximately \$208,000 available to reduce future Federal and state taxable income through 2029. The company elected to carry back the losses to prior year's federal income tax returns and applied for a refund of \$60,925, which was received during 2010. As of December 31, 2010, the Company had net operating loss carryforwards (NOL) of approximately \$199,000 available to reduce future Federal and state taxable income through 2030.

For the years ended December 2010 and 2009, deferred income tax expense (benefit) consisted of:

	<u>2010</u>	<u>2009</u>
Net operating loss carryforwards	\$ (71,925)	\$ (88,000)
Depreciation	( 5,000)	(7,000)
Doubtful accounts	(50,000)	
Other		3,000
Less valuation allowance	66,000	
	<u>\$ (60,925)</u>	<u>\$ (92,000)</u>

The Company's assumptions require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. Due to the economic conditions, a valuation allowance has been established due to the uncertainty of realizing certain net operating loss (NOL) carryforwards.

For the years ended December 31, 2010 and 2009, the provision for income taxes on the statement of operations differs from the amount computed by applying the statutory Federal income tax rate to income before the provision for income taxes, as follows:

	<u>2010</u>	<u>2009</u>
Federal income tax, at statutory rate	\$ (48,740)	\$ (71,000)
State income tax expense, net of Federal benefit	(12,185)	(17,000)
Other		<u>(4,000)</u>
	\$ <u>(60,925)</u>	\$ <u>(92,000)</u>

## **NOTE 12 – RELATED PARTY TRANSACTIONS**

The company lease office and warehouse space from an affiliated company under common control. The lease agreement is on a month to month basis with a monthly fixed rent amount of \$16,600. Total rent paid during 2010 and 2009 amounted to \$199,200 per year.

## **NOTE 13 – Contingent Liability**

On April 3, 2009, an action was commenced in the U.S. District Court for the Eastern District of New York against the Company, the Company's two executive officers and principal stockholders, the Company's outside counsel and the Company's independent auditors. This action was brought by an individual, appearing *pro se*, who claims to be the owner of an entity that acted as a consultant to the Company and who is a former executive officer and director of the Company and holds approximately 10 million shares of the Company's common stock. The Company terminated the consultant on March 20, 2008 and has paid the consulting entity all consulting fees for all periods through the date of termination. The plaintiff sought a preliminary injunction against the Company seeking alleged consulting fees due the consultant entity. The request for injunctive relief was denied. In his complaint, the plaintiff alleges that the Company committed securities fraud by failing to implement a roll-up strategy. The plaintiff further alleges that the Company filed reports with the U.S. Securities and Exchange Commission that included financial statements that were not prepared in conformity with accounting principles generally accepted in the United States. The complaint also alleges that the consulting entity was terminated because of its alleged whistleblower complaints to numerous governmental authorities and others, including the Financial Industry Regulatory Authority, Inc., concerning violations of securities and other laws. Despite naming the Company's outside counsel and auditors as defendants, the complaint fails to state any specific allegations against the Company's outside counsel and auditors. The court granted plaintiff the opportunity to re-plead his complaint.

On January 4, 2010, a United States Magistrate Judge at the U.S. District Court for the Eastern District of New York recommended that summary judgment be entered in favor of the defendants in this action and that the complaint, as amended, filed by the plaintiff be dismissed in its entirety. The U.S. District Court for the Eastern District of New York granted summary judgment in favor of the defendants, but allowed the plaintiff to re-plead his complaint. After he filed his second amended complaint, the Company moved to dismiss the complaint. On January 1, 2011, the U.S. District Court for the Eastern District of New York issued a memorandum and



order dismissing the plaintiff's second amended complaint with prejudice and judgment to that effect was entered on January 24, 2011. The plaintiff then filed a notice of appeal with the U.S. Court of Appeals for the Second Circuit, which notice has not yet been perfected.

**Item XIII: Similar financial information for such part of the 2 preceding fiscal years as the issuer or its predecessor has been in existence.**

<b>HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES</b>			
<b>CONSOLIDATED BALANCE SHEET</b>			
		<b>December 31,</b>	<b>December 31,</b>
		<b>2009</b>	<b>2008</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$	402,523	\$ 321,948
Contracts receivable		562,948	981,273
Income tax Receivable		35,301	140,224
Prepaid expenses and other current assets		50,181	59,295
<b>Total current assets</b>		<b>1,050,953</b>	<b>1,502,740</b>
Property and equipment, net		50,562	66,871
Advances to and investment in joint venture		-	23,696
Deferred tax asset		68,000	-
Other assets		16,600	16,600
<b>Total Assets</b>	<b>\$</b>	<b>1,186,115</b>	<b>\$ 1,609,907</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$	248,856	\$ 543,778
Accrued expenses and other current liabilities		57,697	31,645
<b>Total current liabilities</b>		<b>306,553</b>	<b>575,423</b>
Deferred taxes payable		-	24,000
<b>Total Liabilities</b>		<b>306,553</b>	<b>599,423</b>
<b>Stockholders' Equity</b>			
Common stock, par value \$0.0001, 200,000,000 shares authorized, 57,971,650 shares issued and outstanding		5,797	5,797
Additional paid-in capital		546,963	546,963
Retained earnings		326,802	457,724
<b>Total Stockholders' Equity</b>		<b>879,562</b>	<b>1,010,484</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b>1,186,115</b>	<b>\$ 1,609,907</b>

The accompanying notes are an integral part of the consolidated financial statements.

**HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDED**  
**December 31,**

	<u>2009</u>	<u>2008</u>
Contract and service revenues	\$ 4,858,116	\$ 8,158,672
Contract and service costs	<u>3,358,591</u>	<u>6,109,268</u>
Gross profit	1,499,525	2,049,404
Selling, general and administrative expenses	<u>1,727,034</u>	<u>1,928,497</u>
Income (Loss) from operations	<u>(227,509)</u>	<u>120,907</u>
Other income (expense):		
Interest income (expense), net	5,783	3,574
Equity in income of joint venture	<u>(1,196)</u>	<u>(27,474)</u>
Income (Loss) before income taxes	(222,922)	97,007
Income tax (benefit) expense	<u>(92,000)</u>	<u>116,828</u>
Net loss	\$ <u><u>(130,922)</u></u>	\$ <u><u>(19,821)</u></u>
Basic and diluted earnings per common share	<u><u>*</u></u>	<u><u>\$ *</u></u>
Basic weighted average number of common shares outstanding	<u><u>57,971,650</u></u>	<u><u>57,971,650</u></u>
Diluted weighted average number of common shares outstanding	<u><u>57,971,650</u></u>	<u><u>57,971,650</u></u>

\* Less than \$0.01 per share

The accompanying notes are an integral part of the consolidated financial statements.

**HAMPTONS LUXURY HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>Common Stock</b>		<b>Additional Paid-In</b>		<b>Retained Earnings</b>	<b>Total Stockholders'</b>
	<b>Shares</b>	<b>Amount</b>	<b>Capital</b>		<b>(Deficit)</b>	<b>Equity</b>
Balance at December 31, 2007	57,971,650	\$ 5,797	\$ 533,913	\$ 477,545	\$	1,017,255
Issuance of options			13,050			13,050
Net Loss - 2008	-	-		(19,821)		(19,821)
Balance at December 31, 2008	57,971,650	\$ 5,797	\$ 546,963	\$ 457,724	\$	1,010,484
						-
Net Income/Loss - 2009	-	-		(130,922)		(130,922)
Balance at December 31, 2009	57,971,650	\$ 5,797	\$ 546,963	\$ 326,802	\$	879,562

The accompanying notes are an integral part of the consolidated financial statements.

**HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the year ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net Loss	\$ (130,922)	\$ (19,821)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in loss from investment in joint venture	1,196	27,474
Depreciation and amortization	18,600	16,753
Stock-based compensation	0	13,050
Changes in assets and liabilities		
Contract receivables	418,325	778,337
Income tax refund receivable	104,923	35,776
Prepaid expenses and other current assets	9,114	(43,287)
Accounts payable	(294,922)	(576,148)
Accrued expenses and other current liabilities	26,052	19,248
Income taxes payable	-	(30,500)
Deferred income taxes	(92,000)	(5,000)
<b>Net cash provided by operating activities</b>	<b>60,366</b>	<b>215,882</b>
<b>Cash flows from investing activities:</b>		
Return on investment in joint venture	22,500	5,000
Purchases of property and equipment	(2,291)	(22,582)
<b>Net cash provided by (used in) investing activities</b>	<b>20,209</b>	<b>(17,582)</b>
<b>Net increase in cash</b>	<b>80,575</b>	<b>198,300</b>
<b>Cash, beginning of period</b>	<b>321,948</b>	<b>123,648</b>
<b>Cash, end of period</b>	<b>\$ 402,523</b>	<b>\$ 321,948</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest expense	\$ -	\$ 1,619
Taxes paid	\$ 4,201	\$ 137,083

The accompanying notes are an integral part of the consolidated financial statements.

**HAMPTONS LUXURY HOMES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR END 2009**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION**

Hamptons Luxury Homes, Inc. (the “Company” or “HLH”) was incorporated as Southampton Partners, Inc. in the State of Delaware on May 15, 1996 and, in October 2003; the Company changed its name to Hamptons Luxury Homes, Inc. The Company was inactive from March 1, 1998 until December 2003. In December 2003, the Company commenced operations as a builder of single-family homes, provider of construction consulting services and a distributor of building materials in the Hamptons area of Long Island, New York.

In April 2005, the Company formed a wholly owned subsidiary, DWD Construction Services, Inc. (“DWD”), to perform construction supervision and advisory services in connection with the construction of homes and business development of major commercial projects.

The Company primarily operates through its wholly-owned subsidiary Telemark, Inc. (“Telemark”), which constructs, renovates and restores luxury homes and commercial property and manages construction. Telemark Service and Maintenance, Inc. (“TSM”), is a wholly owned subsidiary of HLH, which provide ongoing property management and maintenance services and sells building materials and hardware. Bridgehampton Millwork, Inc. (“BMI”) is a wholly owned subsidiary of HLH, which provides custom cabinetry and custom built-ins and furniture.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of the 100% owned subsidiaries: Telemark, DWD, TSM and BMI.

Investments in 50% or less owned entities are accounted for using the equity method. Under the equity method, the Company includes the net income or loss from the equity entity.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 as well as the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue and Cost Recognition

Construction work is generally performed under cost-plus contracts. The services performed under these contracts are generally subcontracted to various trade contractors. The lengths of the Company's contracts vary, but typically range from less than one year to two years.

Revenues from long term, cost-plus construction contracts are recognized monthly as amounts are billed by subcontractors in accordance with the terms of the contracts. Contracts are cancellable for nonpayment and require payment for work through the date of cancellation.

Contract costs include all direct material and labor costs and all other direct and indirect costs related to contract performance, on a monthly basis. General and administrative costs are charged to expenses as incurred.

#### Contracts Receivable

Contracts receivable consisted of amounts due from customers. The Company records a provision for doubtful receivables, if necessary, to allow for any amounts which may be unrecoverable, which is based upon an analysis of the Company's prior collection experience, customer creditworthiness and current economic trends.

#### Property and Equipment

Property and equipment has been stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred.

When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation and amortization of property and equipment has been provided utilizing straight-line and accelerated methods over the estimated useful lives of the respective assets, as follows:

Computer equipment	5 years
Furniture and fixtures	7 years
Machinery and equipment	7 years

#### Valuation of long-lived Assets

The Company evaluates the carrying values of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized for the difference. For the years ended December 31, 2009 and 2008, there were no impairment charges relating to long-lived assets.

## Financial Instruments

The carrying amounts of financial instruments, including contracts receivable, income tax receivable, prepaid expenses and other current assets, other assets, accounts payable, accrued expenses and other current liabilities approximate their fair values because of their relatively short maturities.

## Advertising

Advertising costs are charged to operations as incurred. The total amount of advertising cost included in selling, general and administrative expense was \$65,134 and \$180,103, for the years ended December 31, 2009 and 2008, respectively.

## Net Income (Loss) Per Common Share

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted net earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period plus dilutive common stock equivalents, using the treasury stock method.

## Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are recorded based on temporary differences between the amounts reported for financial reporting purposes and the amounts deductible for income tax purposes. In accordance with the provisions of ASC 740, the Company assesses the realizability of its deferred tax assets. A valuation allowance must be established when, based upon available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized.

Provisions (benefits) for federal and state income taxes are calculated on reported pretax earnings (losses) based on current tax law and also include, in the applicable period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions (benefits) differ from the amounts currently receivable or payable because certain items of income and expense are recognized for financial reporting purposes in different periods than for income tax purposes. Significant judgment is required in determining income tax provisions (benefits) and evaluating tax positions. The Company establishes reserves for income taxes when, despite the belief that its tax positions are fully supportable, it believes that its positions may be challenged and disallowed by various tax authorities. The consolidated tax provision (benefits) and related accruals include the impact of such reasonably estimable disallowances as deemed appropriate. To the extent that the probable tax outcome of these matters changes, such changes in estimates will impact the income tax provision (benefit) in the period in which such determination is made.

Effective January 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes,



an interpretation of FASB Statement No. 109” (“FIN 48”) as codified in ASC 740. ASC 740 clarifies the accounting for uncertainty in income taxes recognized and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. ASC 740 requires a company to recognize the financial statement effect of a tax position when it is “more-likely-than-not” (defined as a substantiated likelihood of more than 50%), based on the technical merits of the position, that the position will be sustained upon examination. A tax position that meets the “more-likely-than-not” recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The inability of the Company to determine that a tax position meets the “more-likely-than-not” recognition threshold does not mean that the Internal Revenue Service (“IRS”) or any other taxing authority will disagree with the position that the Company has taken.

If a tax position does not meet the “more-likely-than-not” recognition threshold, despite the Company’s belief that its filing position is supportable, the benefit of that tax position is not recognized in the financial statements and the Company is required to accrue potential interest and penalties until the uncertainty is resolved. Potential interest and penalties are recognized as a component of the provision for income taxes which is consistent with the Company’s historical accounting policy. Differences between amounts taken in a tax return and amounts recognized in the financial statements are considered unrecognized tax benefits. The Company believes that it has a reasonable basis for each of its filing positions and intends to defend those positions if challenged by the IRS or another taxing jurisdiction. If the IRS or other taxing authorities do not disagree with the Company’s position, and after the statute of limitations expires, the Company will recognize the unrecognized tax benefit in the period that the uncertainty of the tax position is eliminated.

#### Stock-Based Compensation

Effective November 1, 2005, the Company adopted SFAS No. 123 (revised 2004), “Share-Based Payment” as codified in ASC 718, “Compensation — Stock Compensation” (“ASC 718”) and recognized compensation expense in its financial statements. ASC 718 requires the disclosure of the estimated fair value of employee option grants and restricted stock units, and their impact on net income using option pricing models that are designed to estimate the value of options that, unlike employee stock options, can be traded at any time and are transferable. In addition to restrictions on trading, employee stock options may include other restrictions such as vesting periods. Further, such models require the input of highly subjective assumptions, including the expected volatility of the stock price.

#### Subsequent Events

The Company has evaluated subsequent events occurring after December 31, 2009 through March 12, 2010 and has made appropriate disclosures pursuant to ASC 855, “Subsequent Events.”

## Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” as codified in ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”). ASC 820 provides guidance for using fair value to measure assets and liabilities. ASC 820 also responds to investors’ requests for expanded information about the extent to which a company measures assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The Company adopted ASC 820 with respect to financial instruments effective for its year beginning January 1, 2008 without any effect.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements, an Amendment to ARB No. 51” as codified in ASC 810, “Consolidation” (“ASC 810”). Under the provisions of ASC 810, a noncontrolling interest in a subsidiary, or minority interest, must be classified as equity and the amount of consolidated net income (loss) specifically attributable to the minority interest must be clearly identified in the consolidated statement of operations. ASC 810 also requires consistency in the manner of reporting changes in the parent’s ownership interest and requires fair value measurement of any noncontrolling interest retained in a deconsolidation. ASC 810 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company adopted ASC 810 effective for its year beginning January 1, 2009 without any effect.

In April 2009, the FASB issued FSP No. FAS 107-1 and Accounting Principles Board (“APB”) Opinion No. 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP 107-1”) as codified in ASC 825. FSP 107-1 amends SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” and APB Opinion No. 28, “Interim Financial Reporting,” to require disclosures about the fair value of financial instruments during interim reporting periods. FSP 107-1 is effective for interim and annual periods ending after June 15, 2009. The Company has included the required disclosures in its financial statements for the year ended December 31, 2009. The adoption of FSP 107-1 did not have a material impact on the Company’s consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” as codified in ASC 855, “Subsequent Events” (“ASC 855”). ASC 855 provides guidance regarding general standards of accounting for, and disclosures of, events that occur after the date of the balance sheet, but before financial statements are issued or are available to be issued. ASC 855 sets forth: (i) the period after the date of the balance sheet during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the date of the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions that occurred after the date of the balance sheet. ASC 855 was effective for interim periods ending after June 15, 2009. The adoption did not have a material impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” (“SFAS 167”). SFAS 167 has not yet been codified. SFAS 167 eliminates FASB Interpretation 46(R)’s exceptions to consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary of a variable interest entity, and increases the frequency of

required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. SFAS 167 is effective for annual reporting periods beginning after November 15, 2009. Earlier application is prohibited. The Company is currently assessing the impact, if any, of SFAS 167 on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162” (“SFAS 168”), as codified in ASC 105 “Generally Accepted Accounting Principles” (“ASC 105”), as the single source of authoritative nongovernmental U.S. GAAP. ASC 105 did not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents were superseded and all other accounting literature not included in the codification is considered non-authoritative. ASC 105 was effective for the Company’s 2009 annual reporting period and did not have an impact on the Company’s financial condition or results of operations.

In August 2009, the FASB issued Accounting Standards Update No. 2009-5, “Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value,” (“ASU 2009-5”), which amends ASC 820 to provide additional guidance to clarify the measurement of liabilities at fair value in the absence of observable market information. ASU 2009-5 is effective for the Company beginning November 1, 2009. The adoption of ASU 2009-5 did not have a material impact on the Company’s consolidated financial position, results of operations and cash flows.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

### **NOTE 3 - CONCENTRATION OF CREDIT RISK**

From time to time, the Company maintains cash in financial institutions in excess of insured limits. In assessing its risk, the Company’s policy is to maintain cash only with reputable financial institutions.

For the years ended December 31, 2009 and 2008, revenue included 55% and 71% from the Company’s three largest customers, respectively. In addition, at December 31, 2009 and 2008, the same three customers above represented 63% and 83% of contract receivables, respectively.

### **NOTE 4 - PROPERTY AND EQUIPMENT**

As of December 31, 2009 and 2008, property and equipment consisted of the following:

	<u>2009</u>	<u>2008</u>
Computer equipment	\$ 270,597	\$ 268,306
Office furniture and equipment	<u>204,846</u>	<u>204,846</u>

	475,443	473,152
Less: Accumulated depreciation	424,881	406,281
	<u>50,562</u>	<u>66,871</u>
	<u>\$</u>	<u>\$</u>

For the years ended December 31, 2009 and 2008, depreciation expense was \$18,600 and \$16,753, respectively.

#### **NOTE 5 – ADVANCES TO AND INVESTMENT IN JOINT VENTURE**

Investment in joint venture consisted of a 50% limited liability company interest in Architectural Woodworking of the Hamptons, LLC (“AWH”). AWH ceased operations in December, 2008 and liquidated all of its assets and liabilities during 2009.

The summarized financial statements of AWH are as follows:

Balance Sheet as of December 31,

	<u>2008</u>
Total assets	<u>\$ 40,892</u>
Current liabilities	\$ 5,425
Equity	<u>35,468</u>
Total assets and liabilities	<u>\$ 40,892</u>

Income Statement for the years ended December 31,

	<u>2009</u>	<u>2008</u>
Revenues	\$ 3,756	\$ 520,842
Expenses	<u>4,496</u>	<u>575,790</u>
Net Loss	<u>(740)</u>	<u>(54,948)</u>
Company’s share of net income	\$ 370	\$ (27,474)
	<u></u>	<u></u>
Advances to joint venture	<u>\$ 22,500</u>	<u>\$ 5,962</u>

For the years ended December 31, 2009 and 2008, revenues of AWH included 100% and 47%, respectively, of revenues from the Company. For the years ended December 31, 2009 and 2008, expenses of AWH included administrative fees of \$ -0- and \$24,446 to AWH, respectively.

## **NOTE 7 – ACCRUED EXPENSES**

Accrued expenses at October 31, 2009 and 2008 consisted of the following:

	<b>2009</b>	<b>2008</b>
Accrued Payroll	\$ 37,833	\$ 21,741
Accrued Workers Compensation Insurance	11,862	-
Other	<u>8,002</u>	<u>10,000</u>
	<u>\$ 57,697</u>	<u>\$ 31,645</u>

## **NOTE 8 – STOCKHOLDERS' EQUITY**

In May 2006, the Company paid \$5,000 in cash and issued a warrant to purchase 25,000 shares of the Company's common stock in exchange for consulting and marketing services. The fair value of the warrants was \$34,750. Each warrant is exercisable at \$1.98, per share, through May 1, 2011.

## **NOTE 9 – COMMITMENTS AND CONTINGENCIES**

On February 11, 2008, the Company entered into an employment agreement with a vice president/chief accounting officer through February 11, 2010. Compensation under the agreement was to include an annual salary of \$90,000, a bonus to be determined and an option to purchase up to 250,000 shares of the Company's common stock. The options are exercisable, at the closing market price of the common stock on the date of the option grants (\$.08, per share, for the initial grant), for periods of five years. The options issued were valued at \$7,250, using a Black-Scholes option pricing model assuming a risk free interest rate of 5.0%, average life of 5 years and expected volatility of 30%. On March 20, 2008, the officer was terminated and retained the initial option. The Company does not believe there will be any addition expenses related to the termination.

On March 24, 2008, the Company entered into an employment agreement with a vice president/director of operations through March 2010. Compensation under the agreement includes a base salary of \$110,000, per year, and incentives based on the Company's attainment of to be agreed-upon levels of sales and earnings and an option to acquire 200,000 shares of common stock. The option is exercisable at \$.08, per share, through March 24, 2013. If the employee continues to be employed on March 24, 2009, the Company will grant the employee an option to purchase an additional 200,000 shares of common stock, exercisable at a price equal to the market price of the common stock on the date of grant, through March 2014. The options issued were valued at \$5,800, using a Black-Scholes option pricing model assuming a risk free interest rate of 5.0%, average life of 5 years, and expected volatility of 30%. On July 26, 2010 the employee resigned from the Company and the position has not been filled.

On April 28, 2008, the Company was notified by the Occupational Safety and Health Administration of the U.S. Department of Labor (“OSHA”) that a complaint has been filed with OSHA by Arthur R. Williams, the former chief accounting officer of the Company, alleging discriminatory employment practices, et al. The former chief accounting officer, aside from other remedies, was seeking damages for lost future compensation of \$990,000, plus lost bonuses and the value of options to purchase an additional 250,000 shares of common stock of the Company.

On December 3, 2010, OSHA dismissed the complaint against the Company. Mr. Williams had 30 days to file an objection and request a hearing, however, since he failed to do so, OSHA’s order is final, non-appealable and not subject to court review.

On March 2, 2011, the Company filed a complaint against the former chief accounting officer with the New York State Education Department, State Board for Public Accounting, Professional Ethics Committee. The Company’s complaint alleges a general lack of competence, and accounting incompetence as related to revenue recognition. Mr. Williams has not yet responded to these allegations.

On April 3, 2009, an action was commenced in the U.S. District Court for the Eastern District of New York against the Company, the Company’s two executive officers and principal stockholders, the Company’s outside counsel and the Company’s independent auditors. This action was brought by an individual, appearing *pro se*, who claims to be the owner of an entity that acted as a consultant to the Company and who is a former executive officer and director of the Company and holds approximately 10 million shares of the Company’s common stock. The Company terminated the consultant on March 20, 2008 and has paid the consulting entity all consulting fees for all periods through the date of termination. The plaintiff sought a preliminary injunction against the Company seeking alleged consulting fees due the consultant entity. The request for injunctive relief was denied. In his complaint, the plaintiff alleges that the Company committed securities fraud by failing to implement a roll-up strategy. The plaintiff further alleges that the Company filed reports with the U.S. Securities and Exchange Commission that included financial statements that were not prepared in conformity with accounting principles generally accepted in the United States. The complaint also alleges that the consulting entity was terminated because of its alleged whistleblower complaints to numerous governmental authorities and others, including the Financial Industry Regulatory Authority, Inc., concerning violations of securities and other laws. Despite naming the Company’s outside counsel and auditors as defendants, the complaint fails to state any specific allegations against the Company’s outside counsel and auditors. The court granted plaintiff the opportunity to re-plead his complaint.

On January 4, 2010, a United States Magistrate Judge at the U.S. District Court for the Eastern District of New York recommended that summary judgment be entered in favor of the defendants in this action and that the complaint, as amended, filed by the plaintiff be dismissed in its entirety. The U.S. District Court for the Eastern District of New York granted summary judgment in favor of the defendants, but allowed the plaintiff to re-plead his complaint. After he filed his second amended complaint, the Company moved to dismiss the complaint. On January 1, 2011, the U.S. District Court for the Eastern District of New York issued a memorandum and order dismissing the plaintiff’s second amended complaint with prejudice and judgment to that

effect was entered on January 24, 2011. The plaintiff then filed a notice of appeal with the U.S. Court of Appeals for the Second Circuit, which notice has not yet been perfected.

## **NOTE 10 – INCOME TAXES**

As of December 31, 2009, management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements. Federal and state tax returns for the years ended December 31, 2009, and 2008 are still subject to review by taxing authorities.

For the years ended December 31, 2009 and 2008, income tax expense consisted of the following:

	2009	2008
Federal		
Current	\$	\$ 98,000
Deferred	(74,000)	(4,000)
	<u>(74,000)</u>	<u>94,000</u>
State		
Current		24,000
Deferred	(18,000)	(1,000)
	<u>(18,000)</u>	<u>23,000</u>
	<u>\$ (92,000)</u>	<u>\$ 117,000</u>

As of December 31, 2009 and 2008, the components of the deferred income taxes asset (payable) consisted of:

	2009	2008
Net operating loss carryforwards	88,000	
Depreciation	(20,000)	(27,000)
Other	-	3,000
	<u>\$ 68,000</u>	<u>\$ (24,000)</u>

As of December 31, 2009, the Company had net operating loss carry forwards (NOL) of approximately \$208,000 available to reduce future Federal taxable income through 2029.

For the years ended December 2009 and 2008, deferred income tax expense (benefit) consisted of:

	2009	2008
Net operating loss carryforwards	\$ (88,000)	\$
Equity in income		(18,000)
Depreciation	(7,000)	4,000
Doubtful accounts		9,000
Other	3,000	
	<u>\$ (92,000)</u>	<u>\$ (5,000)</u>

For the years ended December 31, 2009 and 2008, the provision for income taxes on the statement of operations differs from the amount computed by applying the statutory Federal income tax rate to income before the provision for income taxes, as follows:

	2009	2008
Federal income tax, at statutory rate	\$ (71,000)	\$ 29,000
State income tax expense, net of Federal benefit	(17,000)	7,000
Other	(4,000)	81,000
	<u>\$ (92,000)</u>	<u>\$ 117,000</u>

*During the second* quarter of 2008, the Company changed its estimated tax accrual for the year ended December 31, 2007. The effect of this change was to decrease the amount of income tax receivable and increase income taxes and decrease net income during the second quarter by approximately \$81,000. Basic and diluted earnings per share decreased by less than \$.01 for the year ended December 31, 2008.

#### **NOTE 10 – RELATED PARTY TRANSACTIONS**

A company owned by a greater than five percent stockholder received fees for consulting services of \$29,000 for the year ended December 31, 2008.

On August 13, 2010, the Company entered into an agreement to borrow, from time to time, up to \$200,000 from Potato Barn, LLC, an affiliated entity under common control with the Company. The advances are due on demand and bears interest at Prime (3.25% at December 31, 2010). As of December 31, 2010 the balance outstanding is \$25,224 and the total interest paid during 2010 amounted to \$842.

#### **Item XIV: Beneficial owners.**

Our common stock is the only class of our voting securities presently outstanding.



The following table sets forth information with respect to the beneficial ownership of shares of our common stock as of March 7, 2011 by:

- each person known by us to beneficially own 5% or more of the outstanding shares of such class of stock, based on filings with the Securities and Exchange Commission and certain other information,
- each of our current “named executive officers” and directors, and
- all of our current executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power. In addition, under SEC rules, a person is deemed to be the beneficial owner of securities which may be acquired by such person upon the exercise of options and warrants or the conversion of convertible securities within 60 days from the date on which beneficial ownership is to be determined.

The term “named executive officers” is defined in the SEC rules as those executive officers who are required to be listed in the Summary Compensation Table provided under Item 11 of this Annual Report.

Except as otherwise indicated in the notes to the following table,

- we believe that all shares are beneficially owned, and investment and voting power is held by, the persons named as owners, and
- the address for each beneficial owner listed in the table is c/o Hamptons Luxury Homes, Inc., 367 Butter Lane, Bridgehampton, New York 11932.

<u>Name and Address of Stockholder</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Outstanding Shares</u>
Roy Dalene (1).....	22,490,000	38.8%
Frank Dalene (2) .....	22,400,000	38.6
Robert A. Wilson (3).....	10,000,000	17.3
All executive officers and directors as a group (two persons) (4).....	45,140,000	77.5%

- (1) Roy Dalene is our president, chief executive officer and chairman of our board of directors. Roy Dalene is the brother of Frank Dalene.
- (2) Frank Dalene is our chief financial officer, vice president, corporate secretary and treasurer. He is also a director of our company. Frank Dalene is the brother of Roy Dalene.
- (3) The address of Mr. Wilson is 19 Mary’s Court, Southampton, NY 11968.
- (4) Mr. Wilson has waived all voting rights with respect to 10,000,000 shares of our common stock owned by him. Mr. Wilson has agreed that, in the event he desires to sell all or any portion of such shares, as condition of such sale, any purchaser of the shares would be required to forego any voting rights with respect to the shares so long as the certificates representing the shares bear a legend noting that the shares have not been registered under the Securities Act and may only be sold pursuant to an effective registration statement under the Securities Act or an exemption from registration under the Securities Act.

**Item XV: Issuer's advisers.**

Legal Counsel: Moritt Hock & Hamroff LLP  
400 Garden City Plaza  
Garden City, New York 11530  
516-873-2000  
Email: [lmendelson@moritthock.com](mailto:lmendelson@moritthock.com)

Accountant: Margolin, Winer & Evans, LLP  
400 Garden City Plaza  
Garden City, New York 11530  
Phone: 516-240-4451  
Email: [rmarom@MWELLP.com](mailto:rmarom@MWELLP.com)

Auditor: Raich, Ende & Malter Co. LLP  
1375 Broadway  
15 Floor  
New York, New York 10018  
Phone: 212-944-4433 ext 408

IR/PR Consultants: Martin E. Janis & Company  
401 North Michigan Avenue  
Suite 2920  
Chicago, IL 60611  
Phone: 312-943-1100  
Email: [bjedynak@janispr.com](mailto:bjedynak@janispr.com)

The outside accountant provided review services for the 2009 and 2010 Financial Statements. Management provides the issuer's books and records to the accountant and then the accountant reviews and prepares the issuer's financial statements. For years 2007 and 2008 the auditor provided audit services and certified the issuer's Financial Statements that was prepared by the accountant. The accountant is a Certified Public Accountant familiar with public companies.

**Item XVI: Management's discussion and analysis or plan of operation.**

**Section A: Plan of Operation:**

Since the Company has had revenues from operations in each of the last 2 fiscal year, Section A is not applicable.

**Section B: Management's Discussions and Analysis of Financial Condition and Results of Operation for Years Ended December 31, 2010 and 2009:**

We believe the following selected revenue and expense data, the percentage relationship between contract and service revenues and major categories in our consolidated statements of operations

and the percentage change in the dollar amounts of each of the items presented is important in evaluating the performance of our business operations.

<b>HAMPTONS LUXURY HOMES, INC AND SUBSIDIARIES</b>						
<b>CONSOLIDATED STATEMENTS OF OPERATIONS</b>						
	<b>For the year ended</b>					
	<b>December 31,</b>					
	<b>2010</b>		<b>2009</b>			
		%		%	Amount	%
		of		of	Increase	Incr.
	Amount	Rev.	Amount	Rev.	(Decrease)	(Decr.)
Contract and service revenues	\$ 7,156,354		\$ 4,858,116		\$ 2,298,238	47%
Contract and service costs	5,774,266	81%	3,358,591	69%	2,415,675	72%
Gross profit	1,382,088	19%	1,499,525	31%	(117,437)	-8%
Selling, gen. and admin. expenses	1,727,246	24%	1,727,034	36%	212	0%
Income (loss) from operations	(345,158)	-5%	(227,509)	-5%	(117,649)	52%
Other income (expense):	-		-		-	
Interest income (expense), net	(3,481)		5,783		(9,264)	
Equity income of joint vent.	-		(1,196)		1,196	
Income (loss) before income taxes	(348,639)	-5%	(222,922)	-5%	(125,717)	56%
Income tax expense (benefit)	(60,925)		(92,000)		31,075	
Net income (loss)	\$ (287,714)	-4%	\$ (130,922)	-3%	\$ (156,792)	120%

***TWELVE MONTHS ENDED DECEMBER 31, 2010 COMPARED TO TWELVE MONTHS ENDED DECEMBER 31, 2009***

**Contract and service revenues.** 2010 and 2009 revenues are comprised primarily of construction service revenues from contracts to construct, renovate, manage and maintain luxury estate homes and single family residences.

For the twelve months ended December 31, 2010, contract and service revenues were primarily derived from contracts to construct five new homes, 9 renovation projects, 15 service and maintenance projects (projects smaller than \$5,000), 14 property management projects, and two millwork projects for clients outside the company as compared with contracts to construct two new homes, 15 renovation projects, 37 service and maintenance projects (projects smaller than \$5,000) and two millwork projects for the comparable period in 2009.

Contract and service revenues for the twelve months ended December 31, 2010 increased by \$2,298,238 or approximately 47% to \$7,156,354 as compared with \$4,858,116 for the comparable period in 2009. The increase was due to an increase in our construction activity as a result of the company's marketing efforts in a difficult economic climate.

In July, 2009, Hamptons Green Alliance, LLC ("HGA") made a commitment to rebuild a home (the "HGA House"), that was destroyed by fire, to be *Net Energy Free*, *Embodied Carbon Neutral* and *LEED Platinum*. The HGA and its members have leveraged their own advertising campaigns to maximize their advertising dollars by the exposure the project is receiving. On March 21, 2011 a thirty minute documentary on the building of the HGA House funded by the

Company began airing on Plum-TV. The documentary will air ninety two times through to December 2011.

The contract price on the HGA House was \$1,133,880. As a result of the commitment made by the HGA members, Telemark was only permitted to recover its out-of-pocket costs and was not able to charge its normal mark-ups. Accordingly, approximately \$232,000. of costs, profit and contractor's fees were not captured as revenues during this project, of which \$108,727 was during the year ending December 31, 2010 that normally would have carried down to gross profit and then to net profit.

As per note 6 in the Notes to Consolidated Financial Statements, Year End 2010, billings in excess of cost and estimated earnings on uncompleted contracts of \$128,304 are not reflected in revenues for this period.

**Contract and service costs.** Contract and service costs as a percentage of total contract and service revenues was approximately 81% and 69% for the twelve months ended December 31, 2010 and 2009, respectively. Contract and service costs increased by \$2,415,675 or 72% to \$5,774,266 for the twelve months ended December 31, 2010 from \$3,358,591 for the comparable period in 2009. The increase in the percentage of contract and service costs was primarily the result of contract operations having a decrease of in-house labor. Cost ratios between in-house labor and materials or other subcontractors may change based on the stage of construction during a certain period that will cause slight variations in the percentage of contract and service costs. The increase of contract and service costs was primarily a result of an increase of contract and service revenue and a write off of \$30,000 for prepaid expenses

**Gross profit.** Gross profit as a percentage of total contract and service revenues was approximately 19% and 31% for the twelve months ended December 31, 2010 and 2009, respectively. Gross profit decreased by \$117,437 or -8% to \$1,382,088 for the twelve months ended December 31, 2010 from \$1,499,525 for the comparable period in 2009. The decrease in the percentage of gross profit to revenues primarily was the result of a decrease in percentage of in house labor and by the HGA house that was committed to be built at cost with no profit or contractor's fee. The Company also captures gross profit from its in-house labor force as well as from its contract fee. The cost ratios between in-house labor and materials or other subcontractors may change based on the stage of construction during a certain period which could cause slight variations in the percentage of gross profit. The decrease of gross profit was primarily a result of an increase of contract and service costs and gross profits not captured from the HGA House.

**Selling, general and administrative expenses.** Selling, general and administrative expenses as a percentage of total contract and service revenues was approximately 24% and 36% for the twelve months ended December 31, 2010 and 2009, respectively. Selling, general and administrative expenses increased \$212 or 0% to \$1,727,246 for the twelve months ended December 31, 2010 compared to \$1,727,034 for the comparable period in 2009. The decrease in the percentage of selling, general and administrative expenses to revenues was primarily due to an overall decrease in percentage of general expenses as a result of efforts by the company to reduce expenses in relation to contract and service revenues. The increase in selling, general and administrative

expenses was primarily due to an increase in doubtful accounts expense offset by a decrease in legal, accounting, insurance and salary expenses.

**Income (Loss) from operations.** Loss from operations as a percentage of total contract and service revenues was approximately -5% and -5% for the twelve months ended December 31, 2010 and 2009, respectively. Loss from operations increased by \$117,649 or -52% to -\$345,158 for the twelve months ended December 31, 2010 from -\$227,509 for the comparable period in 2009. The percentage of income (loss) from operations remained the same year over year primarily due to the percentage decrease in gross profits and the percentage decrease in selling, general and administrative expenses. The increase of loss from operations was the result of a decrease in gross profit as a result of a decrease in revenues and profits not captured as a result of the HGA House and a decrease of the ratio of in house labor.

**Other income (expense).** Other expense increased by a net of \$8,068 for the twelve months ended December 31, 2010 compared to the same period in 2009. The net increase of other expense was primarily the result of an increase in interest expense.

**Income (Loss) before income taxes.** Loss before income taxes as a percentage of contract and service revenues was approximately -5% and -5% for the twelve months ended December 31, 2010 and 2009, respectively. Loss before income taxes increased by \$125,717 or 56% to -\$348,639 for the twelve months ended December 31, 2010 from -\$222,922 for the comparable period in 2009. The percentage of income (loss) before income taxes remained the same year over year primarily due to the percentage decrease in gross profits and the percentage decrease in selling, general and administrative expenses. The increase of loss before income taxes primarily was a result of a decrease in gross profit as a result of a decrease in revenues and profits not captured as a result of the HGA House and a decrease of the ratio of in house labor.

**Income tax expense (benefit).** For the twelve months ended December 31, 2010 and 2009, the Company recorded a provision for income taxes of -\$60,925 and -\$92,000 respectively. The decrease in income tax benefit primarily resulted from a decrease in deferred tax assets due to set up of valuations on Net Operating Loss.

**Net loss.** Net loss as a percentage of contract and service revenues was approximately -4% and -3% for the twelve months ended December 31, 2010 and 2009, respectively. Net loss increased by \$156,792 or 120% to (\$287,714) for the twelve months ended December 31, 2010 from (\$130,922) for the comparable period in 2009. The increase in the percentage of net loss to total contract and service revenues was the result of a percentage decrease of gross profit. The decrease of net income was a result of a decrease in gross profit as a result of profits not captured as a result of the HGA House and a decrease of the ratio of in house labor.

### **Liquidity and Capital Resources**

We had cash of approximately \$436,331 at December 31, 2010, compared to \$402,523 at December 31, 2009, none of which was restricted. In addition, the Company had working capital of approximately \$472,270 at December 31, 2010 and \$744,400 at December 31, 2009. It is currently expected that cash flows from the Company's existing contracts and the Company's current assets, including cash and accounts receivable, will be sufficient to fund the Company's liquidity and capital requirements for the next twelve months.

Cash flows provided by operating activities were approximately \$11,916 for the twelve months ended December 31, 2010, compared to cash flows used in operating activities of \$60,366 for the twelve months ended December 31, 2009. The decrease in cash flows from operating activities between the 2010 and 2009 fiscal years primarily was the result of an increase of contract receivables, partially offset by an increase in accounts payables and an increase in net loss.

Cash flows used in investing activities were approximately \$3,332 for the twelve months ended December 31, 2010, compared to cash flows provided by investing activities of \$20,209 for the twelve months ended December 31, 2009. The decrease in cash flows from investing activities between the 2010 and 2009 fiscal years primarily was the result of a decrease in return on investment in Architectural Woodwork of the Hamptons, and an increase in purchases of property and equipment.

Cash flows provided by financing activities were approximately \$25,224 for the twelve months ended December 31, 2010. We had no financing activities for the twelve months ended December 31, 2009. The increase in cash flows provided by financing activities between the 2010 and 2009 fiscal years primarily was the result of loans from affiliate companies as per note 8 in the Notes to Consolidated Financial Statements, Year End 2010.

We have no committed source of debt or equity capital. However, the Company believes that the cumulative backlog from January 1, 2010 to March 26, 2010 of approximately \$3.3 million of work and approximately \$7.7 million of pending bids outstanding as of March 31, 2010 will result in overall positive cash flow for the next twelve months. There can be no assurance that all or any of such pending bids or other potential work will result in contract commitments. Even though we normally have contract commitments with the client, the client customarily has the right to stop, suspend or terminate the client's project. Due to the current economic conditions as discussed in the subsection entitled "Economy's Effect on the Company," there can be no assurance that all or any projects will be completed as contemplated once a commitment to proceed is given by the subject client. In addition, our acceptance of work may not result in net income to us. A failure to realize anticipated revenues may have a material adverse effect on our liquidity and capital resources and may negatively impact the market price of our common stock.

### **Critical Accounting Policies**

Financial Reporting Release No. 60 requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 2 to the unaudited consolidated financial statements, included elsewhere in this Annual Report and Disclosure Statement, includes a summary of the significant accounting policies and methods used in the preparation of our financial statements.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements.

The following is a brief discussion of the more significant accounting policies and methods used by us.

**Estimates**

The preparation of financial statements and related notes in conformity with accounting principles generally accepted in the United States of America requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate the estimates we use in preparing our financial statements, including those related to bad debts, income taxes, contingencies and litigation and make adjustments as we believe appropriate. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**Financial Instruments**

The carrying amounts of financial instruments, including contracts receivable, income tax receivable, prepaid expenses and other current assets, other assets, accounts payable, accrued expenses and other current liabilities approximate their fair values because of their relatively short maturities.

**Revenue Recognition**

Construction work is generally performed under cost-plus contracts. The services performed under these contracts are substantially all subcontracted to various trade contractors. The lengths of our contracts vary, but typically range from less than one year to two years.

Revenues from long term, cost-plus construction contracts are recognized monthly as amounts are billed by subcontracts in accordance with the terms of the contracts. Contracts are cancellable for nonpayment and require payment for work through the date of cancellation.

Contract costs include all direct material and labor costs and all other direct and indirect costs related to contract performance, on a monthly basis. General and administrative costs are charged to expenses as incurred.

Revenue and contract cost are accrued monthly, considering each contract and each month as a profit center, in accordance with SOP 81-1.

ARB No. 45 and SOP 81-1 states that considerations other than those acceptable as a basis for the recognition of income frequently enter into the determination of the timing of interim billings. For this reason, income to be recognized at various stages of performance ordinarily should not be measured by interim billings.

In addition, although the Company estimates the entire projects costs for the owner, these do not become part of the billing system. The agreements require monthly billings on actual costs, plus a profit fee on a stated percentage.

Further, contract receivables are fully collectable (or work on projects will cease).

Therefore, as there are no other considerations and no estimations are required to bill owners, revenues can be measured by actual costs plus percentage fee only, on a monthly basis, the Company believes that the accrual basis accounting is appropriate.

In addition, revenue under the Percentage of Completion Method would approximate the revenue as the accrual basis accounting.

The Company accounts for long-term, fixed fee contracts on the percentage-of-completion method, and income is recognized as work on contracts progress, but estimated losses on contracts in progress are charged to operations immediately.

### **Section C: Off Balance Sheet Arrangements:**

None

### **Part E: Issuance History**

#### **Item XVII: List of securities offerings; shares offered for services rendered.**

Pursuant to that certain employment agreement, dated as of August 13, 2007 (the “Morsch Agreement”) between Telemark, Inc. (a wholly-owned subsidiary of the Company) and Robert C. Morsch (“Morsch”), the Company granted Morsch options to purchase up to 1,000,000 shares (the “Morsch Shares”) of the common stock, par value \$0.0001 per share (the “Common Stock”), of the Company. The Morsch Shares are issuable upon exercise of (a) an option (the “Initial Morsch Option”) to purchase up to 500,000 Morsch Shares which has been granted to Morsch (“Morsch”) pursuant to the Morsch Agreement, and (b) an option (the “Additional Morsch Option”) to purchase up to an additional 500,000 Morsch Shares which may be granted to Morsch on the first anniversary of the date of the Morsch Agreement, subject to Morsch’s performance as contemplated by the Morsch Agreement. The Initial Morsch Option is exercisable at an exercise price of \$0.035 per Morsch Share, the market price of the Common Stock as of the close of business on the date of the Morsch Agreement, and will expire on August 12, 2012. The Additional Morsch Option, if granted, shall be exercisable at an exercise price equal to the market price of the Common Stock at the close of business on the date of the grant of the Additional Morsch Option and shall expire five years thereafter.

Pursuant to that certain employment agreement, dated as of February 11, 2008 (the “Williams Agreement”), among Hamptons Luxury Homes, Inc., Telemark, Inc. and Arthur R. Williams (“Williams”), the Company granted Williams an option to purchase up to 250,000 shares (the “Williams Shares”) of Common Stock of the Company. The Williams Shares are issuable upon exercise of an option (the “Williams Option”) to purchase up to 250,000 Williams Shares which has been granted to Williams pursuant to the Williams Agreement. The Williams Option is exercisable at an exercise price of \$0.10 per Williams Share, the market price of the Common Stock as of the close of business on the date of the Williams Agreement, and will expire on February 11, 2013.

Pursuant to that certain employment agreement, dated as of March 24, 2008 (the “McKelvey Agreement”) between Telemark Service & Maintenance, Inc. (a wholly-owned subsidiary of the



Company) and Glen Loring McKelvey (the “McKelvey”), the Company issued McKelvey options to purchase up to 400,000 shares (the “McKelvey Shares”) of Common Stock of the Company. The McKelvey Shares are issuable upon exercise of (a) an option (the “Initial McKelvey Option”) to purchase up to 200,000 McKelvey Shares which has been granted to McKelvey pursuant to the McKelvey Agreement and (b) an option (the “Additional McKelvey Option”) to purchase an additional 200,000 McKelvey Shares which may be granted to McKelvey on the first anniversary date of the McKelvey Agreement, subject to McKelvey’s performance as contemplated by the McKelvey Agreement. The Initial McKelvey Option is exercisable at an exercise price of \$0.08 per McKelvey Share, the market price of the Common Stock as of the close of business on date of the McKelvey Agreement, and will expire on March 24, 2013. The Additional McKelvey Option, if granted, shall be exercisable at an exercise price equal to the market price of the Common Stock as of the close of business on the date of the grant of the Additional McKelvey Option and shall expire five years thereafter.

## **Part F: Exhibits**

### **Item XVIII: Material Contracts.**

#### **The following agreements are attached hereto as exhibits:**

Employment Agreement, dated February 11, 2008, between Hamptons Luxury Homes, Inc. and Arthur R. Williams. [Incorporated by reference to exhibit 10.1 to the registrant’s Current Report on Form 8-K (Date of Report: February 11, 2008), filed with the SEC on February 12, 2008.]

Employment Agreement dated March 24, 2008, Telemark Service & Maintenance, Inc. a subsidiary of Hamptons Luxury Homes, Inc. [Incorporated by reference to exhibit 1.1 to the registrant’s Annual Report – Initial Company Information and Disclosure Statement for period ended December 31, 2008 and filed with Pink Sheets on April 6, 2009].

### **Item XIX: Articles of Incorporation and Bylaws**

Composite of the Certificate of Incorporation of Hamptons Luxury Homes, Inc., as amended to date. [Incorporated by reference to exhibit 3.1 to the registrant’s Annual Report on Form 10-K for the period ended December 31, 2008, filed with the SEC on March 31, 2009]

Bylaws of Hamptons Luxury Homes, Inc., as amended to date. [Incorporated by reference to exhibit 3.5 to the registrant’s Quarterly Report on Form 10-QSB for the period ended June 30, 2006, filed within SEC on August 18, 2006.]

### **Item XX: Purchases of equity securities by the issuer and affiliated purchasers.**

None

**Item XXI: Certifications.**

I, Roy Dalene, certify that:

1. I have reviewed this Annual Report of Hamptons Luxury Homes, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly presents in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the period present in this disclosure statement.

Date: March 31, 2011

A handwritten signature in black ink, appearing to read "Roy Dalene", followed by the letters "CEO" in a smaller, less stylized font. The signature is written over a horizontal line.

Name: Roy Dalene  
Title: CEO

I, Frank Dalene, certify that:

4. I have reviewed this Annual Report of Hamptons Luxury Homes, Inc.;
5. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
6. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly presents in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the period present in this disclosure statement.

Date: March 31, 2011

A handwritten signature in black ink, appearing to read "Frank Dalene", followed by the letters "CFO" in a smaller, less stylized font. The signature is written over a horizontal line.

Name: Frank Dalene  
Title: CFO