

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM LEXINGTON COUNTY
Court of Common Pleas

James O. Spence, Master in Equity, Lexington County

CASE NO. 2009-CP-32-5373

Regions Bank Plaintiff

vs.

William S. Owens, David S. Hostetler,
Roland G. Paddy and Greer State Bank..... Defendants

OF WHOM:

William S. Owens is.....Appellant
and

Regions Bank, Roland G. Paddy
and Greer State Bank are.....Respondents

RECORD ON APPEAL – VOLUME II

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This document was prepared by (name, address, phone):
 GREER STATE BANK
 P.O. BOX 1029
 GREER, SC 29650-1029

State of South Carolina

Space Above This Line For Recording Data

ORIGINAL

REAL ESTATE MORTGAGE
 (With Future Advance Clause)

1. **DATE AND PARTIES.** The date of this Mortgage is November 21, 2006 and the parties and their addresses are as follows:

MORTGAGOR:

ROLAND G PADDY and DAVID S. HOSTETLER and WILLIAM H. OWENS
 MYRTLE BEACH, SC 29577

☐ Refer to the Addendum which is attached and incorporated herein for additional Mortgagors.

LENDER:

GREER STATE BANK - BUNCOMBE ROAD OFFICE
 P.O. BOX 1029 GREER, SC 29652

2. **MORTGAGE.** For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debt (hereafter defined), Mortgagor grants, bargains, conveys and mortgages to Lender the following described property:

SEE ATTACHED SCHEDULED A

The property is located in Lexington at 153 LOVE LANE
 (County)
BATESBURG, South Carolina 29006
 (Address) (City) (Zip Code)

Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, crops, timber, all diversion payments or third party payments made to crop producers, and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the real estate described above (all referred to as "Property"). The term Property also includes, but is not limited to, any and all water wells, water, ditches, reservoirs, reservoir sites and dams located on the real estate and all riparian and water rights associated with the Property, however established.

SOUTH CAROLINA - AGRICULTURAL/COMMERCIAL REAL ESTATE SECURITY INSTRUMENT
 (NOT FOR FNMA, FHLMC, FHA OR VA USE, AND NOT FOR CONSUMER PURPOSES)

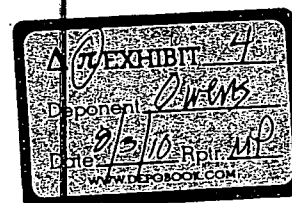
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C-06-11-000095

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3. **MAXIMUM OBLIGATION LIMIT.** The total principal amount of the Secured Debt (hereafter defined) secured by this Mortgage at any one time shall not exceed \$ 150,000.00. This limitation of amount does not include interest, loan charges, commitment fees, brokerage commissions, attorneys' fees and other charges validly made pursuant to this Mortgage and does not apply to advances (or interest accrued on such advances) made under the terms of this Mortgage to protect Lender's security and to perform any of the covenants contained in this Mortgage. Interest under the Note will be deferred, accrued or capitalized; however, Mortgagee shall not be required to defer, accrue or capitalize any interest except as provided in the Note. Future advances are contemplated and, along with other future obligations, are secured by this Mortgage even though all or part may not yet be advanced. Nothing in this Mortgage, however, shall constitute a commitment to make additional or future loans or advances in any amount. Any such commitment would need to be agreed to in a separate writing.
4. **SECURED DEBT DEFINED.** The term "Secured Debt" includes, but is not limited to, the following:
- A. The promissory note(s), contract(s), guaranty(ies) or other evidence of debt described below and all extensions, renewals, modifications or substitutions (Evidence of Debt): (e.g., borrower's name, note amount, interest rate, maturity date): **NOTE DATED NOVEMBER 21, 2006 IN THE NAME OF ROLAND G PADDY IN THE AMOUNT OF \$150,000.00. THIS MORTGAGE MATURES NOVEMBER 30, 2036.**
 - B. All future advances from Lender to Mortgagor or other future obligations of Mortgagor to Lender under any promissory note, contract, guaranty, or other evidence of debt existing now or executed after this Mortgage whether or not this Mortgage is specifically referred to in the evidence of debt.
 - C. All obligations Mortgagor owes to Lender, which now exist or may later arise, to the extent not prohibited by law, including, but not limited to, liabilities for overdrafts relating to any deposit account agreement between Mortgagor and Lender.
 - D. All additional sums advanced and expenses incurred by Lender for insuring, preserving or otherwise protecting the Property and its value and any other sums advanced and expenses incurred by Lender under the terms of this Mortgage, plus interest at the highest rate in effect, from time to time, as provided in the Evidence of Debt.
 - E. Mortgagor's performance under the terms of any instrument evidencing a debt by Mortgagor to Lender and any Mortgage securing, guarantying, or otherwise relating to the debt.
- If more than one person signs this Mortgage as Mortgagor, each Mortgagor agrees that this Mortgage will secure all future advances and future obligations described above that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagor and others. This Mortgage will not secure any other debt if Lender fails, with respect to such other debt, to make any required disclosure about this Mortgage or if Lender fails to give any required notice of the right of rescission.
5. **PAYMENTS.** Mortgagor agrees to make all payments on the Secured Debt when due and in accordance with the terms of the Evidence of Debt or this Mortgage.
6. **WARRANTY OF TITLE.** Mortgagor covenants that Mortgagor is lawfully seized of the estate conveyed by this Mortgage and has the right to grant, bargain, convey, sell, and mortgage the Property and warrants that the Property is unencumbered, except for encumbrances of record.
7. **CLAIMS AGAINST TITLE.** Mortgagor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property when due. Lender may require Mortgagor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Mortgagor's payment. Mortgagor will defend title to the Property against any claims that would impair the lien of this Mortgage. Mortgagor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses which Mortgagor may have against parties who supply labor or materials to improve or maintain the Property.
8. **PRIOR SECURITY INTERESTS.** With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or encumbrance on the Property and that may have priority over this Mortgage, Mortgagor agrees:
- A. To make all payments when due and to perform or comply with all covenants.
 - B. To promptly deliver to Lender any notices that Mortgagor receives from the holder.
 - C. Not to make or permit any modification or extension of, and not to request or accept any future advances under any note or agreement secured by, the other mortgage, deed of trust or security agreement unless Lender consents in writing.
9. **DUE ON SALE OR ENCUMBRANCE.** Lender may, at its option, declare the entire balance of the Secured Debt to be immediately due and payable upon the creation of any lien, encumbrance, transfer, or sale, or contract for any of these on the Property. However, if the Property includes Mortgagor's residence, this section shall be subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable. For the purposes of this section, the term "Property" also includes any interest to all or any part of the Property. This covenant shall run with the Property and shall remain in effect until the Secured Debt is paid in full and this Mortgage is released.

[Handwritten signature]

10. **TRANSFER OF AN INTEREST IN THE MORTGAGOR.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Lender may demand immediate payment if (1) a beneficial interest in Mortgagor is sold or transferred; (2) there is a change in either the identity or number of members of a partnership or similar entity; or (3) there is a change in ownership of more than 25 percent of the voting stock of a corporation or similar entity. However, Lender may not demand payment in the above situations if it is prohibited by law as of the date of this Mortgage.

11. **ENTITY WARRANTIES AND REPRESENTATIONS.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Mortgagor makes to Lender the following warranties and representations which shall be continuing as long as the Secured Debt remains outstanding:

- A. Mortgagor is an entity which is duly organized and validly existing in the Mortgagor's state of incorporation (or organization). Mortgagor is in good standing in all states in which Mortgagor transacts business. Mortgagor has the power and authority to own the Property and to carry on its business as now being conducted and, as applicable, is qualified to do so in each state in which Mortgagor operates.
- B. The execution, delivery and performance of this Mortgage by Mortgagor and the obligation evidenced by the Evidence of Debt are within the power of Mortgagor, have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law, or order of court or governmental agency.
- C. Other than disclosed in writing Mortgagor has not changed its name within the last ten years and has not used any other trade or fictitious name. Without Lender's prior written consent, Mortgagor does not and will not use any other name and will preserve its existing name, trade names and franchises until the Secured Debt is satisfied.

12. **PROPERTY CONDITION, ALTERATIONS AND INSPECTION.** Mortgagor will keep the Property in good condition and make all repairs that are reasonably necessary. Mortgagor will give Lender prompt notice of any loss or damage to the Property. Mortgagor will keep the Property free of noxious weeds and grasses. Mortgagor will not initiate, join in or consent to any change in any private restrictive covenant, zoning ordinance or other public or private restriction limiting or defining the uses which may be made of the Property or any part of the Property, without Lender's prior written consent. Mortgagor will notify Lender of all demands, proceedings, claims, and actions against Mortgagor or any other owner made under law or regulation regarding use, ownership and occupancy of the Property. Mortgagor will comply with all legal requirements and restrictions, whether public or private, with respect to the use of the Property. Mortgagor also agrees that the nature of the occupancy and use will not change without Lender's prior written consent.

No portion of the Property will be removed, demolished or materially altered without Lender's prior written consent except that Mortgagor has the right to remove items of personal property comprising a part of the Property that become worn or obsolete, provided that such personal property is replaced with other personal property at least equal in value to the replaced personal property, free from any title retention device, security agreement or other encumbrance. Such replacement of personal property will be deemed subject to the security interest created by this Mortgage. Mortgagor shall not partition or subdivide the Property without Lender's prior written consent. Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Any inspection of the Property shall be entirely for Lender's benefit and Mortgagor will in no way rely on Lender's inspection.

13. **AUTHORITY TO PERFORM.** If Mortgagor fails to perform any of Mortgagor's duties under this Mortgage, or any other mortgage, deed of trust, security agreement or other lien document that has priority over this Mortgage, Lender may, without notice, perform the duties or cause them to be performed. Mortgagor appoints Lender as attorney in fact to sign Mortgagor's name or pay any amount necessary for performance. If any construction on the Property is discontinued or not carried on in a reasonable manner, Lender may do whatever is necessary to protect Lender's security interest in the Property. This may include completing the construction.

Lender's right to perform for Mortgagor shall not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights under the law or this Mortgage. Any amounts paid by Lender for insuring, preserving or otherwise protecting the Property and Lender's security interest will be due on demand and will bear interest from the date of the payment until paid in full at the interest rate in effect from time to time according to the terms of the Evidence of Debt.

14. **ASSIGNMENT OF LEASES AND RENTS.** Mortgagor assigns, grants, bargains, conveys and mortgages to Lender as additional security all the right, title and interest in the following (Property).

- A. Existing or future leases, subleases, licenses, guaranties and any other written or verbal agreements for the use and occupancy of the Property, including but not limited to, any extensions, renewals, modifications or replacements (Leases).
- B. Rents, issues and profits, including but not limited to, security deposits, minimum rents, percentage rents, additional rents, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Mortgagor may have that in any way pertain to or are on account of the use or occupancy of the whole or any part of the Property (Rents).

In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement.

Mortgagor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed. Mortgagor may collect, receive, enjoy and use the Rents so long as Mortgagor is not in default. Mortgagor will not collect in advance any Rents due in future lease periods, unless Mortgagor first obtains Lender's written consent. Upon default, Mortgagor will receive

any Rents in trust for Lender and Mortgagor will not commingle the Rents with any other funds. When Lender so directs, Mortgagor will endorse and deliver any payments of Rents from the Property to Lender. Amounts collected will be applied at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Mortgagor agrees that this Security Instrument is immediately effective between Mortgagor and Lender and effective as to third parties on the recording of this Assignment.

As long as this Assignment is in effect, Mortgagor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Mortgagor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Mortgagor or any party to the Lease defaults or fails to observe any applicable law, Mortgagor will promptly notify Lender. If Mortgagor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance.

Mortgagor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so require) without Lender's consent. Mortgagor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Mortgagor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases.

15. CONDOMINIUMS; PLANNED UNIT DEVELOPMENTS. If the Property includes a unit in a condominium or a planned unit development, Mortgagor will perform all of Mortgagor's duties under the covenants, by-laws, or regulations of the condominium or planned unit development.

16. DEFAULT. Mortgagor will be in default if any of the following occur:

- A. Any party obligated on the Secured Debt fails to make payment when due;
- B. A breach of any term or covenant in this Mortgage, any prior mortgage or any construction loan agreement, security agreement or any other document evidencing, guarantying, securing or otherwise relating to the Secured Debt;
- C. The making or furnishing of any verbal or written representation, statement or warranty to Lender, that is false or incorrect in any material respect by Mortgagor or any person or entity obligated on the Secured Debt;
- D. The death, dissolution, or insolvency of, appointment of a receiver for, or application of any debtor relief law to, Mortgagor or any person or entity obligated on the Secured Debt;
- E. A good faith belief by Lender at any time that Lender is insecure with respect to any person or entity obligated on the Secured Debt or that the prospect of any payment is impaired or the value of the Property is impaired;
- F. A material adverse change in Mortgagor's business including ownership, management, and financial conditions, which Lender in its opinion believes impairs the value of the Property or repayment of the Secured Debt; or
- G. Any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

17. REMEDIES ON DEFAULT. In some instances, federal and state law will require Lender to provide Mortgagor with notice of the right to cure, mediation notices or other notices and may establish time schedules for foreclosure actions. Subject to these limitations, if any, Lender may accelerate the Secured Debt and foreclose this Mortgage in a manner provided by law if this Mortgagor is in default.

At the option of Lender, all or any part of the agreed fees and charges, accrued interest and principal shall become immediately due and payable, after giving notice if required by law, upon the occurrence of a default or anytime thereafter. In addition, Lender shall be entitled to all the remedies provided by law, the Evidence of Debt, other evidences of debt, this Mortgage and any related documents. All remedies are distinct, cumulative and not exclusive, and the Lender is entitled to all remedies provided at law or equity, whether expressly set forth or not. The acceptance by Lender of any sum in payment or partial payment on the Secured Debt after the balance is due or is accelerated or after foreclosure proceedings are filed shall not constitute a waiver of Lender's right to require full and complete cure of any existing default. By not exercising any remedy on Mortgagor's default, Lender does not waive Lender's right to later consider the event a default if it continues or happens again.

18. EXPENSES; ADVANCES ON COVENANTS; ATTORNEYS' FEES; COLLECTION COSTS. Except when prohibited by law, Mortgagor agrees to pay all of Lender's expenses if Mortgagor breaches any covenant in this Mortgage. Mortgagor will also pay on demand all of Lender's expenses incurred in collecting, insuring, preserving or protecting the Property or in any inventories, audits, inspections or other examination by Lender in respect to the Property. Mortgagor agrees to pay all costs and expenses incurred by Lender in enforcing or protecting Lender's rights and remedies under this Mortgage, including, but not limited to, attorneys' fees, court costs, and other legal expenses. Once the Secured Debt is fully and finally paid, Lender agrees to release this Mortgage and Mortgagor agrees to pay for any recordation costs. All such amounts are due on demand and will bear interest from the time of the advance at the highest rate in effect, from time to time, as provided in the Evidence of Debt and as permitted by law.

19. ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES. As used in this section, (1) "Environmental Law" means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, 42 U.S.C. 9601 et seq.), all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) "Hazardous Substance" means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which

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has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substances," "hazardous waste" or "hazardous substance" under any Environmental Law. Mortgagor represents, warrants and agrees that, except as previously disclosed and acknowledged in writing:

- A. No Hazardous Substance has been, is, or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property, except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
- B. Mortgagor has not and will not cause, contribute to, or permit the release of any Hazardous Substance on the Property.
- C. Mortgagor will immediately notify Lender if (1) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (2) there is a violation of any Environmental Law concerning the Property. In such an event, Mortgagor will take all necessary remedial action in accordance with Environmental Law.
- D. Mortgagor has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (1) any Hazardous Substance located on, under or about the Property; or (2) any violation by Mortgagor or any tenant of any Environmental Law. Mortgagor will immediately notify Lender in writing as soon as Mortgagor has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Lender has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.
- E. Mortgagor and every tenant have been, are and shall remain in full compliance with any applicable Environmental Law.
- F. There are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well will be added unless Lender first consents in writing.
- G. Mortgagor will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
- H. Mortgagor will permit, or cause any tenant to permit, Lender or Lender's agent to enter and inspect the Property and review all records at any reasonable time to determine (1) the existence, location and nature of any Hazardous Substance on, under or about the Property; (2) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; or (3) whether or not Mortgagor and any tenant are in compliance with applicable Environmental Law.
- I. Upon Lender's request and at any time, Mortgagor agrees, at Mortgagor's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Lender. The choice of the environmental engineer who will perform such audit is subject to Lender's approval.
- J. Lender has the right, but not the obligation, to perform any of Mortgagor's obligations under this section at Mortgagor's expense.
- K. As a consequence of any breach of any representation, warranty or promise made in this section, (1) Mortgagor will indemnify and hold Lender and Lender's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and attorneys' fees, which Lender and Lender's successors or assigns may sustain; and (2) at Lender's discretion, Lender may release this Mortgage and in return Mortgagor will provide Lender with collateral of at least equal value to the Property secured by this Mortgage without prejudice to any of Lender's rights under this Mortgage.
- L. Notwithstanding any of the language contained in this Mortgage to the contrary, the terms of this section shall survive any foreclosure or satisfaction of this Mortgage regardless of any passage of title to Lender or any disposition by Lender of any or all of the Property. Any claims and defenses to the contrary are hereby waived.

20. CONDEMNATION. Mortgagor will give Lender prompt notice of any action, real or threatened, by private or public entities to purchase or take any or all of the Property, including any easements, through condemnation, eminent domain, or any other means. Mortgagor further agrees to notify Lender of any proceedings instituted for the establishment of any sewer, water, conservation, ditch, drainage, or other district relating to or binding upon the Property or any part of it. Mortgagor authorizes Lender to intervene in Mortgagor's name in any of the above described actions or claims and to collect and receive all sums resulting from the action or claim. Mortgagor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds shall be considered payments and will be applied as provided in this Mortgage. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.

21. INSURANCE. Mortgagor agrees to maintain insurance as follows:

- A. Mortgagor shall keep the Property insured against loss by fire, theft and other hazards and risks reasonably associated with the Property due to its type and location. Other hazards and risks may include, for example, coverage against loss due to floods or flooding. This insurance shall be maintained in the amounts and for the periods that Lender requires. What Lender requires pursuant to the preceding three sentences can change during the term of the Secured Debt. The insurance carrier providing the insurance shall be chosen by Mortgagor subject to Lender's approval, which shall not be unreasonably withheld. If Mortgagor fails to maintain the coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property according to the terms of this Mortgage.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard "mortgage clause" and, where applicable, "lender loss payee clause." Mortgagor shall immediately notify Lender of cancellation or termination of the insurance. Lender shall have the right to hold the policies and renewals. If Lender requires, Mortgagor shall immediately give to Lender all receipts of paid premiums and renewal notices. Upon loss, Mortgagor shall give immediate notice to the insurance carrier and Lender. Lender may make proof of loss if not made immediately by Mortgagor.

Unless Lender and Mortgagor otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the Secured Debt, whether or not then due, with any excess paid to Mortgagor. If Mortgagor abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay the Secured Debt whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Mortgagor otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of scheduled payments or change the amount of the payments. If the Property is acquired by Lender, Mortgagor's right to any insurance policies and proceeds resulting from damage to the Property before the acquisition shall pass to Lender to the extent of the Secured Debt immediately before the acquisition.

- B. Mortgagor agrees to maintain comprehensive general liability insurance naming Lender as an additional insured in an amount acceptable to Lender, insuring against claims arising from any accident or occurrence in or on the Property.
- C. Mortgagor agrees to maintain rental loss or business interruption insurance, as required by Lender, in an amount equal to at least coverage of one year's debt service, and required escrow account deposits (if agreed to separately in writing), under a form of policy acceptable to Lender.

22. NO ESCROW FOR TAXES AND INSURANCE. Unless otherwise provided in a separate agreement, Mortgagor will not be required to pay to Lender funds for taxes and insurance in escrow.

23. FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Mortgagor will provide to Lender upon request, any financial statement or information Lender may deem necessary. Mortgagor warrants that all financial statements and information Mortgagor provides to Lender are, or will be, accurate, correct, and complete. Mortgagor agrees to sign, deliver, and file as Lender may reasonably request any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Mortgagor's obligations under this Mortgage and Lender's lien status on the Property. If Mortgagor fails to do so, Lender may sign, deliver, and file such documents or certifications in Mortgagor's name and Mortgagor hereby irrevocably appoints Lender or Lender's agent as attorney in fact to do the things necessary to comply with this section.

24. JOINT AND INDIVIDUAL LIABILITY; CO-SIGNERS; SUCCESSORS AND ASSIGNS BOUND. All duties under this Mortgage are joint and individual. If Mortgagor signs this Mortgage but does not sign the Evidence of Debt, Mortgagor does so only to mortgage Mortgagor's interest in the Property to secure payment of the Secured Debt and Mortgagor does not agree to be personally liable on the Secured Debt. Mortgagor agrees that Lender and any party to this Mortgage may extend, modify or make any change in the terms of this Mortgage or the Evidence of Debt without Mortgagor's consent. Such a change will not release Mortgagor from the terms of this Mortgage. The duties and benefits of this Mortgage shall bind and benefit the successors and assigns of Mortgagor and Lender.

If this Mortgage secures a guaranty between Lender and Mortgagor and does not directly secure the obligation which is guaranteed, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation including, but not limited to, anti-deficiency or one-action laws.

25. APPLICABLE LAW; SEVERABILITY; INTERPRETATION. This Mortgage is governed by the laws of the jurisdiction in which Lender is located, except to the extent otherwise required by the laws of the jurisdiction where the Property is located. This Mortgage is complete and fully integrated. This Mortgage may not be amended or modified by oral agreement. Any section or clause in this Mortgage, attachments, or any agreement related to the Secured Debt that conflicts with applicable law will not be effective, unless that law expressly or impliedly permits the variations by written agreement. If any section or clause of this Mortgage cannot be enforced according to its terms, that section or clause will be severed and will not affect the enforceability of the remainder of this Mortgage. Whenever used, the singular shall include the plural and the plural the singular. The captions and headings of the sections of this Mortgage are for convenience only and are not to be used to interpret or define the terms of this Mortgage. Time is of the essence in this Mortgage.

26. NOTICE. Unless otherwise required by law, any notice shall be given by delivering it or by mailing it by first class mail to the appropriate party's address on page 1 of this Mortgage, or to any other address designated in writing. Notice to one mortgagor will be deemed to be notice to all mortgagors.

27. WAIVER OF HOMESTEAD. Except to the extent prohibited by law, Mortgagor waives all homestead exemption rights relating to the Property.

28. U.C.C. PROVISIONS. If checked, the following are applicable to, but do not limit, this Mortgage:

- ☐ **Construction Loan.** This Mortgage secures an obligation incurred for the construction of an improvement on the Property.
- ☐ **Fixture Filing.** Mortgagor grants to Lender a security interest in all goods that Mortgagor owns now or in the future and that are or will become fixtures related to the Property.
- ☐ **Crops; Timber; Minerals; Rents, Issues and Profits.** Mortgagor grants to Lender a security interest in all crops, timber, and minerals located on the Property as well as all rents, issues, and profits of them including, but not limited to, all Conservation Reserve Program (CRP) and Payment in Kind (PIK) payments and similar governmental programs (all of which shall also be included in the term "Property").

C-05-11-000095
Page 6 of 8

000415

- ☐ **Personal Property.** Mortgagor grants to Lender a security interest in all personal property located on or connected with the Property. This security interest includes all farm products, inventory, equipment, accounts, documents, instruments, chattel paper, general intangibles, and all other items of personal property Mortgagor owns now or in the future and that are used or useful in the construction, ownership, operation, management, or maintenance of the Property. The term "personal property" specifically excludes that property described as "household goods" secured in connection with a "consumer" loan as those terms are defined in applicable federal regulations governing unfair and deceptive credit practices.
- ☐ **Filing As Financing Statement.** Mortgagor agrees and acknowledges that this Mortgage also suffices as a financing statement and as such, may be filed of record as a financing statement for purposes of Article 9 of the Uniform Commercial Code. A carbon, photographic, image or other reproduction of this Mortgage is sufficient as a financing statement.

29. OTHER TERMS. If checked, the following are applicable to this Mortgage:

- ☐ **Line of Credit.** The Secured Debt includes a revolving line of credit provision. Although the Secured Debt may be reduced to a zero balance, this Mortgage will remain in effect until released.
- ☒ **Waiver of Appraisal Rights.** The laws of South Carolina provide that in any real estate foreclosure proceeding a defendant against whom a personal judgment is taken or asked may, within thirty days after the sale of the mortgaged property, apply to the court for an order of appraisal. The statutory appraisal value as approved by the court would be substituted for the high bid and may decrease the amount of any deficiency owing in connection with the transaction. **THE UNDERSIGNED HEREBY WAIVES AND RELINQUISHES THE STATUTORY APPRAISAL RIGHTS WHICH MEANS THE HIGH BID AT THE JUDICIAL FORECLOSURE SALE WILL BE APPLIED TO THE DEBT REGARDLESS OF ANY APPRAISED VALUE OF THE MORTGAGED PROPERTY.**
- ☐ **Separate Assignment.** The Mortgagor has executed or will execute a separate assignment of leases and rents. If the separate assignment of leases and rents is properly executed and recorded, then the separate assignment will supersede this Security Instrument's "Assignment of Leases and Rents" section.
- ☐ **Additional Terms.**

SIGNATURES: By signing below, Mortgagor agrees to the terms and covenants contained in this Mortgage and in any attachments. Mortgagor also acknowledges receipt of a copy of this Mortgage on the date stated above on Page 1.

☐ Actual authority was granted to the parties signing below by resolution signed and dated _____.

Entity Name: _____ Entity Name: _____

(Signature) Roland G Paddy 11/21/06 (Seal) _____
(Date) _____ (Signature) David P. Hostetler _____
(Date) _____ (Seal) _____
(Signature) William H. Owens _____
(Date) _____

Signed, Sealed and delivered in the presence of:

(Witness) David McPhail _____ (Witness) Antoine J. Jean _____

☐ Refer to the Addendum which is attached and incorporated herein for additional Mortgagors, signatures and acknowledgments.

⑧

Michele Paddy Refosco

PROBATE:

STATE OF South Carolina, COUNTY OF Horry } ss.

Personally appeared before me the undersigned witness who, being duly sworn, deposed and said that (s)he saw the Mortgagor (and each Mortgagor if more than one) sign, seal and deliver the foregoing Mortgage and that (s)he, together with the other witness whose name appears as a witness, witnessed the execution thereof.

Sworn to and subscribed before me this 25th dayof November 2006

Michele Paddy Refosco
Notary Public for South Carolina

David McPhail

My commission expires:

MICHELE PADDY REFOSCO
NOTARY PUBLIC for SOUTH CAROLINA
My Commission Expires: 5 September 2011

EXHIBIT "A"

Legal Description

All that certain piece, parcel or tract of land, together with the improvements thereon, containing ninety-nine and thirty-seven hundredths (99.37) acres, more or less; situate, lying and being in the County of Lexington, State of South Carolina, being shown and designated as "Tract G" on a Plat prepared by C.L. Hartley, RLS, dated 29 March 1912 and recorded in the office of the Lexington County Register of Deeds in Plat Book 49-G at page 109, and having the following metes and bounds: One the North by property now or formerly of Felix Burgess and measuring thereon a distance of fifty-seven (57) chains, more or less; One the East by property now or formerly of Johnson and Johnson and measuring thereon a distance of thirteen and forty-four hundredths (13.44) chains, more or less; One the South by property now or formerly of E. Hall and measuring thereon a distance of sixty and forty-six hundredths (60.46) chains, more or less; and One the West by the run of Chinquapin Creek. Further reference is made to that certain boundary survey prepared by James F. Drafts, RLS, dated 21 July 2003 and filed with the Lexington County Register of Deeds on 13 August 2003 in Record Book 8522 at page 73.

Derivation: This being the identical property conveyed to Roland G. Paddy and David S. Hostetler and William H. Owens by Deed of D&E of Myrtle Beach, LLC, dated 06/24/2005 and recorded 07/01/2005 in the Lexington County Register of Deeds office in Record Book 10261 at page 184.

TMS # 009300-04-005

000417

STATE OF SOUTH CAROLINA)
COUNTY OF LEXINGTON)

LIMITED POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, William H. Owens, a legal resident of Horry County in the State of South Carolina, desiring to execute a LIMITED POWER OF ATTORNEY, have made, constituted and appointed, and by these presents do make, constitute and appoint Roland G. Paddy, of Horry County, South Carolina, my Attorney-in-Fact to act as follows, GIVING AND GRANTING unto my said attorney full power to:

Execute in my name the HUD-1 Settlement Statement, Deed, Disbursement Authorizations, and any and all other closing documents in connection with the sale of that certain real estate known as:

LEGAL DESC.: All that certain piece, parcel or tract of land, together with the improvements thereon, containing ninety-nine and thirty-seven hundredths (99.37) acres, more or less; situate, lying and being in the County of Lexington, State of South Carolina, being shown and designated as "Tract G" on a Plat prepared by C.L. Hartley, RLS, dated 29 March 1912 and recorded in the office of the Lexington County Register of Deeds in Plat Book 49-G at page 109, and having the following metes and bounds: One the North by property now or formerly of Felix Burgess and measuring thereon a distance of fifty-seven (57) chains, more or less; One the East by property now or formerly of Johnson and Johnson and measuring thereon a distance of thirteen and forty-four hundredths (13.44) chains, more or less; One the South by property now or formerly of E. Hall and measuring thereon a distance of sixty and forty-six hundredths (60.46) chains, more or less; and One the West by the run of Chinquapin Creek. Further reference is made to that certain boundary survey prepared by James F. Drafts, RLS, dated 21 July 2003 and filed with the Lexington County Register of Deeds on 13 August 2003 in Record Book 8522 at page 73.

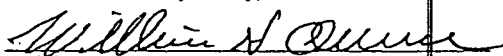
TAX MAP NO.: 009300-04-005

FURTHER, I do authorize my aforesaid Attorney-in-Fact to perform all necessary acts in the execution of the aforesaid transaction with the same validity as I could effect if personally present. An act or thing lawfully done hereunder by my said attorney shall be binding on me and my heirs, legal and personal representatives, and assigns.

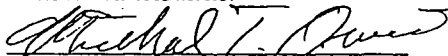
PROVIDED, however, that all business transacted hereunder for me or for my account shall be transacted in my name, and that all endorsements and instruments executed by my said attorney for the purpose of carrying out the foregoing powers shall contain my name, followed by that of my said attorney and the designation "Attorney-in-Fact."

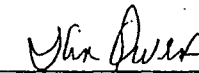
FURTHER, the rights, powers and authority of said attorney-in-fact granted in this instrument shall commence and be in full force and effect at the execution of hereof, and such rights, powers and authority shall terminate by the grantor giving notice of revocation to the attorney-in-fact, provided that any party relying in good faith upon the Power of Attorney shall be protected unless and until said party has either (a) actual or constructive notice of revocation, or (b) upon recording of said revocation in the public records where the Limited Power of Attorney is recorded.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 24th day of May, 2007.


William H. Owens, Grantor

The foregoing Limited Power of Attorney, consisting of one (1) typewritten page, was this 24th day of May, 2007, signed, sealed, published and declared by the said William H. Owens as and for his Limited Power of Attorney in the presence of us, who at his request and in his presence and in the presence of each other, have hereunto subscribed our names as witnesses hereto.


Witness (1)

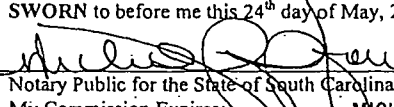

Witness (2)

STATE OF SOUTH CAROLINA)
COUNTY OF HORRY)

ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this 24th day of May, 2007, by the Grantor, William H. Owens.

SWORN to before me this 24th day of May, 2007.


Notary Public for the State of South Carolina
My Commission Expires:

MICHELE PADDY REFOSCO
NOTARY PUBLIC for SOUTH CAROLINA
My Commission Expires: 5 September 2011



000418

2010027702 FILED, RECORDED, INDEXED
2010-07-06 13:11:05:357
REC FEE: \$15.00 ST FEE: \$0.00
CD FEE: \$0.00 Pages: 2
Lexington County R.O.D. Debra M. Gunter
POWER OF ATTORNEY Bk:Pg 14329:182

POWER OF ATTORNEY REVOCATION

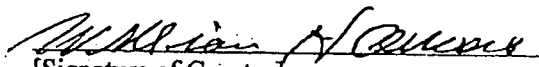
Reference is made to certain limited power of attorney granted by William H. Owens, (Grantor) to Roland G. Paddy (Attorney-in-Fact), and dated May 24, 2007, covering the following described property:

All that certain piece, parcel, or tract of land, together with the improvements thereon, containing 99.37 acres, more or less; situated, lying and being in the County of Lexington, State of South Carolina, being shown and designated as Tract G on a plat prepared by C.L. Hartley, RLS dated 29th day of March, 1912 and recorded in the Office of the Lexington County Register of Deeds in Plat Book 49-G at Page 109, and having the following metes and bounds:

One the North by property now or formerly of Felix Burgess and measuring thereon a distance of fifty-seven (57) chains, more or less; One the East by property now or formerly of Johnson and Johnson and measuring thereon a distance of thirteen and forty-four hundredth (13.44) chains, more or less; One the South by property now or formerly of E. Hall and measuring thereon a distance of sixty and forty-six hundredth (60.46) chains, more or less; One the West by run of Chinquapin Creek. Further, reference is made to that certain boundary survey prepared by James F. Drafts, RLS, dated 21st day of July, 2003, and filed with the Lexington County Register of Deeds on the 13th day of August, 2003, in Record Book 8522, at Page 73. Tax Map # 009300-04-005.

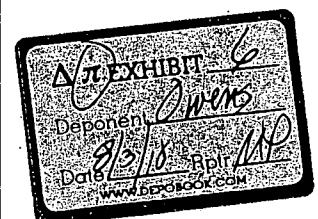
This document acknowledges and constitutes notice that the Grantor hereby revokes, rescinds and terminates said power-of-attorney and all authority, rights and power thereto effective this date.

Signed under seal this 30 day of JUNE, 2010.


[Signature of Grantor]

WILLIAM H. OWENS
[Printed or Typed Name of Grantor]

000419



STATEMENT OF WITNESS

On the date written above, the principal declared to me in my presence that this instrument is his revocation of power of attorney and that he had willingly signed or directed another to sign for him, and that he executed it as his free and voluntary act for the purposes therein expressed.

Witness 1

Signature

Printed Name

Address

Address

Witness 2

Signature

Printed Name

Address

Address

STATE OF SOUTH CAROLINA)
COUNTY OF HORRY)

Subscribed, sworn to, and acknowledged before me by William H. Owens and subscribed and sworn to before me by LEE GARDNER and MARIE A DOKKINS, witnesses, this the 30 day of June, 2010.

Notary Public for South Carolina

My Commission Expires: 10/20/18

000420



DOC6450460733000000070000937480000000

REGIONS PROMISSORY NOTE

Principal	Loan Date	Maturity	Bank/APP	Loan No.	Account	Officer
\$642,564.00	03/31/2009	07/01/2009	60753	000000007000093748		JACMS

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: ROLAND G PADDY (SSN: 011-11-0856), DAVID S HOSTETLER (SSN: 011-11-7346) and WILLIAM H OWENS (SSN: 011-11-047)
400B CALHOUN RD
MYRTLE BEACH, SC 29577

Lender: REGIONS BANK
PO BOX 2224
BIRMINGHAM, AL 35246

Principal Amount: \$642,564.00

Date of Note: March 31, 2009

PROMISE TO PAY. ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS ("Borrower") jointly and severally promise to pay to REGIONS BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of Six Hundred Forty-two Thousand Five Hundred Sixty-four & 00/100 Dollars (\$642,564.00), together with interest on the unpaid principal balance from March 31, 2009, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 8.900% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in one principal payment of \$642,564.00 plus interest on July 1, 2009. This payment due on July 1, 2009, will be for all principal and all accrued interest not yet paid. In addition, Borrower will pay regular monthly payments of all accrued interest due as of each payment date, beginning May 1, 2009, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied to amounts due under this loan in such order as Lender may determine in Lender's sole discretion. Lender reserves the right to apply payments to outstanding indebtedness and obligations in any order that Lender may determine in its sole discretion and Lender may change the methodology for the application of payments at any time without notice to Borrower. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT PENALTY. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Upon prepayment of this Note, Lender is entitled to the following prepayment penalty: Borrower shall have the right to prepay the loan in whole at any time by payment of the remaining principal balance of the loan plus accrued interest to the date of such prepayment, together with any applicable premium, unless such premium is prohibited by applicable law. A premium equal to 2% of the outstanding loan balance will be due if, at the time of the prepayment, 60 or fewer monthly payments have been made on the loan and more than 6 months remain until the scheduled maturity date of the loan. However, where there is an involuntary prepayment, such as in the event of acceleration, no premium will be due. Except for the foregoing, Borrower may pay all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Regions Bank, P.O. Box 2224 Birmingham, AL 35246.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$10.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or foreclosure proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceeding and if Borrower gives Lender written notice of the creditor or foreclosure proceeding and deposits with Lender monies or a surety bond for the creditor or foreclosure proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes Lender's reasonable attorneys' fees in an amount not less than fifteen percent (15%) of the amount owing on this Note and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

000421



PROMISSORY NOTE
(Continued)

GOVERNING LAW. With respect to interest (as defined by federal law) this Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Alabama without regard to its conflicts of laws provisions. In all other respects, this Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of South Carolina without regard to its conflicts of law provisions. The loan transaction that is evidenced by this Note has been approved, made, and funded, and all necessary loan documents have been accepted by Lender in the State of Alabama.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

NOTICE CONCERNING APPRAISAL WAIVER. The laws of South Carolina provide that in any real estate foreclosure proceeding a defendant against whom a personal judgment is taken or asked may within thirty days after the sale of the mortgaged property apply to the court for an order of appraisal. The statutory appraisal value as approved by the court would be substituted for the high bid and may decrease the amount of any deficiency owing in connection with the transaction. **THE UNDERSIGNED HEREBY WAIVES AND RELINQUISHES THE STATUTORY APPRAISAL RIGHTS WHICH MEANS THE HIGH BID AT THE JUDICIAL FORECLOSURE SALE WILL BE APPLIED TO THE DEBT REGARDLESS OF ANY APPRAISED VALUE OF THE MORTGAGED PROPERTY.**

PRIOR NOTE. This note is made and executed for the purpose of continuing, modifying and amending the terms of that certain promissory note in the principal amount of \$ 5642,956.00, dated 01-25-2008, executed by the Borrower and payable to the Bank or its predecessor or assignor. This note shall constitute a true modification or amendment of the terms of the original note which shall continue in full force and effect except as specifically modified herein. This note shall not constitute a novation, payment in full or satisfaction of the original note, nor shall this note in any other way supersede the original note or any of the Loan Documents. This note shall continue to be secured by any and all collateral securing the original note.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Each Borrower understands and agrees that, with or without notice to Borrower, Lender may with respect to any other Borrower: (a) make one or more additional secured or unsecured loans or otherwise extend additional credit; (b) alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of any indebtedness, including increases and decreases of the rate of interest on the indebtedness; (c) exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any security, with or without the substitution of new collateral; (d) apply such security and direct the order or manner of sale thereof, including without limitation, any non-judicial sale permitted by the terms of the controlling security agreements, as Lender in its discretion may determine; (e) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; and (f) determine how, when and what application of payments and credits shall be made on any other indebtedness owing by such other Borrower. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. EACH BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

★ Roland G. Paddy
ROLAND G. PADDY

★ David S. Hostetler
x Roland G. Paddy
DAVID S. HOSTETLER, BY ROLAND G. PADDY,
HIS ATTORNEY-IN-FACT

★ William H. Owens
x Roland G. Paddy
WILLIAM H. OWENS, BY ROLAND G. PADDY,
HIS ATTORNEY-IN-FACT

RECORDATION REQUESTED BY:

REGIONS BANK
PO BOX 2224
BIRMINGHAM, AL 35248

WHEN RECORDED MAIL TO:

Regions Bank
Attn: Collateral Management Area
P.O. Box 1984
Birmingham, AL 35201

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY



REGIONS



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ASSIGNMENT OF RENTS

THIS ASSIGNMENT OF RENTS dated March 31, 2009, is made and executed between ROLAND G PADDY, A Single Adult Person; DAVID S HOSTETLER, A Single Adult Person; WILLIAM H OWENS, A Single Adult Person (referred to below as "Grantor") and REGIONS BANK, whose address is PO BOX 2224, BIRMINGHAM, AL 35248 (referred to below as "Lender").

ASSIGNMENT. For valuable consideration, Grantor hereby assigns, grants a continuing security interest in, and conveys to Lender all of Grantor's right, title, and interest in and to the Rents from the following described Property located in LEXINGTON County, State of South Carolina:

ATTACHED EXHIBIT A

The Property or its address is commonly known as 107.11 ACRES, 153 LOVE LANE, BATESBURG, SC 29006.

CROSS-COLLATERALIZATION. In addition to the Note, this Assignment secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

THIS ASSIGNMENT IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF GRANTOR UNDER THE NOTE, THIS ASSIGNMENT, AND THE RELATED DOCUMENTS. THIS ASSIGNMENT IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Assignment or any Related Documents, Grantor shall pay to Lender all amounts secured by this Assignment as they become due, and shall strictly perform all of Grantor's obligations under this Assignment. Unless and until Lender exercises its right to collect the Rents as provided below and so long as there is no default under this Assignment, Grantor may remain in possession and control of and operate and manage the Property and collect the Rents, provided that the granting of the right to collect the Rents shall not constitute Lender's consent to the use of cash collateral in a bankruptcy proceeding.

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that:

Ownership. Grantor is entitled to receive the Rents free and clear of all rights, loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

Right to Assign. Grantor has the full right, power and authority to enter into this Assignment and to assign and convey the Rents to Lender.

No Prior Assignment. Grantor has not previously assigned or conveyed the Rents to any other person by any instrument now in force.

No Further Transfer. Grantor will not sell, assign, encumber, or otherwise dispose of any of Grantor's rights in the Rents except as provided in this Assignment.

LENDER'S RIGHT TO RECEIVE AND COLLECT RENTS. Lender shall have the right at any time, and even though no default shall have occurred under this Assignment, to collect and receive the Rents. For this purpose, Lender is hereby given and granted the following rights, powers and authority:

Notice to Tenants. Lender may send notices to any and all tenants of the Property advising them of this Assignment and directing all Rents to be paid directly to Lender or Lender's agent.

Enter the Property. Lender may enter upon and take possession of the Property, demand, collect and receive from the tenants or from any other persons liable therefor, all of the Rents; institute and carry on all legal proceedings necessary for the protection of the Property, including such proceedings as may be necessary to recover possession of the Property; collect the Rents and remove any tenant or tenants or other persons from the Property.

Maintain the Property. Lender may enter upon the Property to maintain the Property and keep the same in repair; to pay the costs thereof and of all services of all employees, including their equipment, and of all continuing costs and expenses of maintaining the Property in proper repair and condition, and also to pay all taxes, assessments and water utilities, and the premiums on fire and other insurance effected by Lender on the Property.

Compliance with Laws. Lender may do any and all things to execute and comply with the laws of the State of South Carolina and also all other laws, rules, orders, ordinances and requirements of all other governmental agencies affecting the Property.

Lease the Property. Lender may rent or lease the whole or any part of the Property for such term or terms and on such conditions as Lender may deem appropriate.

Employ Agents. Lender may engage such agent or agents as Lender may deem appropriate, either in Lender's name or in Grantor's name, to rent and manage the Property, including the collection and application of Rents.

Other Acts. Lender may do all such other things and acts with respect to the Property as Lender may deem appropriate and may act exclusively and solely in the place and stead of Grantor and to have all of the powers of Grantor for the purposes stated above.

No Requirement to Act. Lender shall not be required to do any of the foregoing acts or things, and the fact that Lender shall have performed one or more of the foregoing acts or things shall not require Lender to do any other specific act or thing.

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ASSIGNMENT OF RENTS (Continued)

APPLICATION OF RENTS. All costs and expenses incurred by Lender in connection with the Property shall be for Grantor's account and Lender may pay such costs and expenses from the Rents. Lender, in its sole discretion, shall determine the application of any and all Rents received by it; however, any such Rents received by Lender which are not applied to such costs and expenses shall be applied to the Indebtedness. All expenditures made by Lender under this Assignment and not reimbursed from the Rents shall become a part of the Indebtedness secured by this Assignment, and shall be payable on demand, with interest at the Note rate from date of expenditure until paid.

FULL PERFORMANCE. If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Assignment, the Note, and the Related Documents, Lender shall execute and deliver to Grantor a suitable satisfaction of this Assignment and suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Property. Any termination fee required by law shall be paid by Grantor, if permitted by applicable law.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Assignment or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Assignment or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Rents or the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note, or the maximum rate permitted by law, whichever is less, from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Assignment also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Assignment:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Assignment or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

Default on Other Payments. Failure of Grantor within the time required by this Assignment to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Default in Favor of Third Parties. Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or ability to perform Grantor's obligations under this Assignment or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Assignment or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Assignment or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The death of Grantor, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against the Rents or any property securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceeding and if Grantor gives Lender written notice of the creditor or foreclosure proceeding and deposits with Lender monies or a surety bond for the creditor or foreclosure proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Property Damage or Loss. The Property is lost, stolen, substantially damaged, sold, or borrowed against.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty that Grantor would be required to pay.

Collect Rents. Lender shall have the right, without notice to Grantor, to take possession of the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender shall have all the rights provided for in the Lender's Right to Receive and Collect Rents Section, above. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Other Remedies. Lender shall have all other rights and remedies provided in this Assignment or the Note or by law.

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Assignment, after Grantor's failure to perform, shall not effect Lender's right to declare a default and exercise its remedies.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Assignment, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's reasonable attorneys' fees in an amount not less than fifteen percent (15%) of the amount owing on the Indebtedness and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

LEASES, RENTS AND OTHER COLLATERAL. Grantor is currently the landlord under those certain leases described on Exhibit "E" attached hereto and made a part hereof as if fully set forth herein. As used in this document, (1) the term "Leases" shall include all leases in which Grantor is landlord, by assignment or otherwise, now on the Property, or which may hereafter be placed thereon, and (2) without in any way

ASSIGNMENT OF RENTS
(Continued)

limiting the generality of the definition contained elsewhere in this document, the term "Rents" shall include all of the rents, issues, revenues and profits now due or to become due and derived from the Property, all supporting obligations, all proceeds and products of, and all additions and accessions to, any of the foregoing, and all books, documents and records related to any of the foregoing collateral. Grantor shall keep accurate and complete records of Grantor's Leases and shall promptly deliver to Lender on demand (a) a detailed schedule, in form and substance acceptable to Lender, of all then-existing Leases ("Schedule of Leases"), (b) the original of all documents evidencing or relating to the Leases so scheduled, (c) such other information relating to the then-existing Leases as Lender shall reasonably request, and (d) formal written assignments or schedules specifically describing the Leases and confirming Lender's security interest therein. No submission by Grantor to Lender of a Schedule of Leases or other particular identification of Leases, Rents or other collateral shall be necessary to vest in Lender security title to and a security interest in each and every such item of collateral of Grantor now existing or hereafter created and acquired, but rather such title and security interest shall vest in Lender immediately upon the creation or acquisition of any such item of collateral hereafter created or acquired, without the necessity for any other or further action by Grantor or by Lender.

COVENANTS, REPRESENTATIONS AND WARRANTIES AS TO LEASES. Grantor shall not be entitled to, and hereby covenants and agrees that it will not, without the written consent of Lender: (a) cancel any Lease or accept a surrender thereof, except in accordance with the conditions and contingencies as set out therein; (b) modify any Lease so as to decrease the term of such Lease, reduce the rent or change the time of payment of same, or diminish the obligation of the tenant with regard to the payment of taxes and insurance; (c) consent to an assignment of the tenant's interest in or under any Lease which will relieve the tenant of liability for the payment of rent and the performance of the terms and conditions of the Lease; or (d) collect the Rents for more than one month in advance. Any of the foregoing acts, if done without the written consent of Lender, shall be null and void. Grantor shall have the right to modify any Lease or take any other action with respect thereto which does not violate the specific provisions of this paragraph. Grantor makes the following warranties and representations to Lender as to each and every Lease, whether now existing or acquired, created or arising from time to time hereafter, unless otherwise disclosed in writing by Grantor to Lender: (a) the Lease is an original, genuine, bona fide and legally binding obligation, enforceable in accordance with its terms; (b) the Lease is not subject to any claim of reduction, counterclaim, set-off, recoupment, or any claim for credits, allowances or adjustments by the tenant for any reason; (c) the amount shown as the balance due on the Lease on Grantor's books and in any Schedule of Leases, invoices or other documents delivered to Lender with respect to the Lease is validly and legally owing under the Lease and is not contingent for any reason, and, to the best of Grantor's knowledge, there are no facts, events or occurrences which in any way impair the validity or collectibility thereof; (d) all statements made in any Schedule of Leases or other documents executed or delivered to Lender in connection with the Lease are true and correct, and all laws and regulations applicable to the transaction giving rise to the Lease have been fully complied with; (e) the Lease does not arise out of a contract with, or order from, a tenant that by its terms forbids the assignment of that Lease to Lender or makes such assignment void or unenforceable; (f) the Lease arose in the ordinary course of Grantor's business; (g) no notice has been received with respect to any tenant of anything which reflects adversely on the general creditworthiness and financial condition of the tenant.

GENERAL REPRESENTATION, WARRANTIES, COVENANTS AND AGREEMENTS. Grantor represents, warrants, covenants and agrees that: (a) Grantor will hold in Grantor's principal place of business, or other location approved by Lender, and make available to Lender as requested, all of Grantor's records containing any entries as to collateral. Upon request of Lender such records will be segregated and marked by Grantor with Lender's name in a manner satisfactory to Lender. (b) Grantor's address or location of the office where Grantor keeps and will keep Grantor's records concerning all of the Leases is set forth in the first paragraph of this Assignment, and Grantor shall not change the address or the location of the office where Grantor keeps and will keep Grantor's records concerning all of the Leases without the prior written consent of Lender. (c) Grantor's address or the location of Grantor's principal place of business or chief executive office is as has been previously provided to Lender by Grantor, and Grantor shall not change the address or the location of Grantor's principal place of business or chief executive office without the prior written consent of Lender. (d) Grantor's legal name is as set forth in the first paragraph of this Assignment, and Grantor shall not alter or change its legal name without the prior written consent of Lender. (e) Grantor's state of incorporation or registration (if Grantor was created by such state filing) is the state in the certificate of Grantor's legal name and location delivered to Lender at the execution of this Assignment, and Grantor shall not change the state of its incorporation or registration (if Grantor was created by such state filing) without the prior written consent of Lender. (f) Grantor shall not alter or change its legal form or status (corporate, partnership or otherwise) without the prior written consent of Lender. (g) Grantor shall not merge, in one transaction or a series of related transactions, into or consolidate with any other entity without the prior written consent of Lender. (h) Grantor shall not file a release, amendment, partial release, or termination statement with respect to any of the collateral without Lender's prior written consent. (i) Grantor shall diligently perform all of Grantor's obligations under each and every Lease strictly in accordance with the terms thereof and will not commit or permit any breach on Grantor's part in connection with any such Lease. (j) Promptly after Grantor's learning thereof, Grantor shall inform Lender in writing of any material adverse change in any of Grantor's representations and warranties under this Assignment.

VISITATION. Grantor shall permit representatives of Lender from time to time to visit and inspect the collateral, all records related hereto, the premises upon which any of the collateral is located, and any of the other offices and properties of Grantor; to examine the assets and books of account of Grantor; to discuss the affairs, finances and accounts of Grantor with and be advised as to the same by the officers thereof, if a corporation, or if not by other responsible persons, and to discuss the same with the Borrower; and to verify the amount, quantity, value and condition of, or any other matter relating to, the collateral, at all such reasonable times and intervals as Lender may desire. Such inspections shall be conducted at Grantor's cost and expense.

FURTHER ASSURANCES. Grantor authorizes Lender to perfect, preserve, continue, amend and maintain Lender's interest in the collateral by whatever actions Lender in its sole discretion deems appropriate under applicable law, including without limitation (1) the filing by Lender of financing statements describing the collateral, or (2) Lender's placing a legend on any Lease that gives notice of Grantor's security interest. Grantor shall assist and cooperate with Lender in taking such actions and shall pay all costs and expenses incurred by Lender in taking such actions. In addition, at Grantor's cost and expense and upon request of Lender, Grantor shall duly execute and deliver, or cause to be duly executed and delivered, to Lender such further instruments and do and cause to be done such further acts as may be reasonably necessary or proper in the opinion of Lender or its counsel to carry out more effectively the provisions and purposes of this Assignment. Grantor hereby irrevocably appoints Lender or any other person whom Lender may designate as Grantor's attorney-in-fact to execute, deliver and record any such instruments in Grantor's name, and to indorse and collect any and all checks or other instruments which represent in whole or part proceeds of any collateral. Such power of attorney being coupled with an interest is irrevocable until the indebtedness has been paid in full and this Assignment terminated by Lender as provided herein.

USE AND OPERATION. Whenever any of the collateral is in the possession or control of Lender, whether for perfection, enforcement or otherwise, Grantor agrees to Lender's unrestricted use and operation of the collateral. Grantor waives any rights it may have to require Lender to keep all nonfungible collateral segregated or separately identifiable and agrees that Lender may commingle such collateral (fungible or otherwise) with its own without any liability to Lender for so doing.

CERTIFICATION OF GRANTOR. At least annually, Grantor shall give Lender a certification, in written or other record form, attesting that Grantor has not sold any of the collateral unless expressly permitted by this Assignment and has not changed any of the following without the prior written consent of Lender: (a) Grantor's name; (b) the state of Grantor's incorporation or registration (if Grantor was created by such state filing); (c) Grantor's chief executive office; (d) Grantor's principal place of business.

ASSIGNMENT BY LENDER. Lender may assign its rights and interest under this Assignment. If an assignment is made by Lender, Grantor (or its heirs, successors and assigns or any other person who becomes bound by this Assignment as Grantor) shall render performance under this Assignment to such assignee, and Grantor (or its heirs, successors and assigns or any other person who becomes bound by this Assignment as the Grantor) hereby waives and will not assert against Lender's assignee any claims, defenses, or setoffs which Grantor could assert against Lender except defenses that cannot be waived.

REINSTATEMENT. This Assignment, the obligations of Grantor hereunder, and the liens, rights, powers and remedies of Lender hereunder, shall continue to be effective, or be automatically reinstated, as the case may be, if at any time any amount applied to the payment of any of the indebtedness is rescinded or must otherwise be restored or returned to Grantor, the Borrower or any other person (or paid to the creditors of any of them, or to any custodian, receiver, trustee or other officer with similar powers with respect to any of them, or with respect to any part of their property) upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Grantor, the Borrower or any such person, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with respect to any of them, or with respect to any part of their property, or otherwise, all as though such payment had not been made.

GRANTOR LIABLE ON LEASES. Notwithstanding anything in this Assignment to the contrary (a) Grantor shall remain liable under the Leases to perform all of Grantor's duties and obligations thereunder to the same extent as if this Assignment had not been executed, (b) the exercise by Lender of any rights hereunder shall not release Grantor from any of Grantor's obligations under the Leases, and (c) Lender shall not have any obligation or liability under the Leases by reason of this Assignment or the receipt by Lender of any payment hereunder, nor shall Lender be obligated to perform any of the obligations of Grantor under the Leases, to take any action to collect, file and enforce any claim for payment assigned to Lender hereunder, or to make any inquiry as to the nature or sufficiency of any payment received by it or the adequacy of any performance by any party.

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ASSIGNMENT OF RENTS (Continued)

NO OBLIGATIONS OF LENDER; INDEMNIFICATION. Lender does not by virtue of this Assignment or any of the transactions contemplated by the loan documents assume any duties, liabilities or obligations with respect to any of the collateral unless expressly assumed by Lender under a separate agreement in writing, and this Assignment shall not be deemed to confer on Lender any duties or obligations that would make Lender directly or derivatively liable for any person's negligent, reckless or willful conduct. Grantor agrees to indemnify and hold Lender harmless against and with respect to any damage, claim, action, loss, cost, expense, liability, penalty or interest (including without limitation attorney's fees) and all costs and expenses of all actions, suits, proceedings, demands, assessments, claims and judgments directly or indirectly resulting from, occurring in connection with, or arising out of: (a) any inaccurate representation made by Grantor or Borrower in this Assignment or any other loan document; (b) any breach of any of the warranties or obligations of Grantor or Borrower under this Assignment or any other loan document; and (c) the collateral, or the liens of Lender thereon. The provisions of this Section shall survive the payment of the indebtedness in full and the termination, satisfaction, release (in whole or in part) or foreclosure of this Assignment.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Assignment:

Amendments. This Assignment, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Assignment. No alteration or amendment to this Assignment shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Caption Headings. Caption headings in this Assignment are for convenience purposes only and are not to be used to interpret or define the provisions of this Assignment.

Governing Law. With respect to interest (as defined by federal law) this Assignment will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Alabama without regard to its conflicts of laws provisions. In all other respects, this Assignment will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of South Carolina without regard to its conflicts of laws provisions. The loan transaction that is evidenced by the Note and this Assignment has been approved, made, and funded, and all necessary loan documents have been accepted by Lender in the State of Alabama.

Joint and Several Liability. All obligations of Grantor under this Assignment shall be joint and several, and all references to Grantor shall mean each and every Grantor. This means that each Grantor signing below is responsible for all obligations in this Assignment.

Merger. There shall be no merger of the interest or estate created by this assignment with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Interpretation. (1) In all cases where there is more than one Borrower or Grantor, then all words used in this Assignment in the singular shall be deemed to have been used in the plural where the context and construction so require. (2) If more than one person signs this Assignment as "Grantor," the obligations of each Grantor are joint and several. This means that if Lender brings a lawsuit, Lender may sue any one or more of the Grantors. If Borrower and Grantor are not the same person, Lender need not sue Borrower first, and that Borrower need not be joined in any lawsuit. (3) The names given to paragraphs or sections in this Assignment are for convenience purposes only. They are not to be used to interpret or define the provisions of this Assignment.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Assignment unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Assignment shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Assignment. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Assignment, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Assignment shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Assignment. Any party may change its address for notices under this Assignment by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Powers of Attorney. The various agencies and powers of attorney conveyed on Lender under this Assignment are granted for purposes of security and may not be revoked by Grantor until such time as the same are renounced by Lender.

Severability. If a court of competent jurisdiction finds any provision of this Assignment to be illegal, invalid, or unenforceable as to any person or circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other person or circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Assignment. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Assignment shall not affect the legality, validity or enforceability of any other provision of this Assignment.

Successors and Assigns. Subject to any limitations stated in this Assignment on transfer of Grantor's interest, this Assignment shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Assignment and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Assignment or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Assignment.

Waive Jury. All parties to this Assignment hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of South Carolina as to all indebtedness secured by this Assignment.

Waiver of Right of Redemption. NOTWITHSTANDING ANY OF THE PROVISIONS TO THE CONTRARY CONTAINED IN THIS ASSIGNMENT, GRANTOR HEREBY WAIVES ANY AND ALL RIGHTS OF REDEMPTION FROM SALE UNDER ANY ORDER OR JUDGMENT OF FORECLOSURE ON GRANTOR'S BEHALF AND ON BEHALF OF EACH AND EVERY PERSON, EXCEPT JUDGMENT CREDITORS OF GRANTOR, ACQUIRING ANY INTEREST IN OR TITLE TO THE PROPERTY SUBSEQUENT TO THE DATE OF THIS ASSIGNMENT.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Assignment. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Assignment shall have the meanings attributed to such terms in the Uniform Commercial Code:

Assignment. The word "Assignment" means this ASSIGNMENT OF RENTS, as this ASSIGNMENT OF RENTS may be amended or modified from time to time, together with all exhibits and schedules attached to this ASSIGNMENT OF RENTS from time to time.

Borrower. The word "Borrower" means ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS.

Default. The word "Default" means the Default set forth in this Assignment in the section titled "Default".

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Assignment in the default section of this Assignment.

Grantor. The word "Grantor" means ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means all principal, earned interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Lender

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ASSIGNMENT OF RENTS
(Continued)

to enforce Grantor's obligations under this Assignment, together with interest on such amounts as provided in this Assignment. Specifically, without limitation, indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Assignment.

Lender. The word "Lender" means REGIONS BANK, its successors and assigns.

Note. The word "Note" means the promissory note dated March 31, 2009, in the original principal amount of \$42,564.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Assignment" section of this Assignment.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guarantees, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

Rents. The word "Rents" means all of Grantor's present and future rights, title and interest in, to and under any and all present and future leases, including, without limitation, all rents, revenue, income, issues, royalties, bonuses, accounts receivable, cash or security deposits, advance rentals, profits and proceeds from the Property, and other payments and benefits derived or to be derived from such leases of every kind and nature, whether due now or later, including without limitation Grantor's right to enforce such leases and to receive and collect payment and proceeds thereunder.

THE UNDERSIGNED ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS ASSIGNMENT. THIS DOCUMENT IS EXECUTED ON MARCH 31, 2009.

GRANTOR:

★ Roland G. Paddy
ROLAND G. PADDY

★ William H. Owens
x by Roland G. Paddy [Signature]
WILLIAM H. OWENS, BY ROLAND G. PADDY,
HIS ATTORNEY-IN-FACT

★ David S. Hostetler
x by Roland G. Paddy [Signature]
DAVID S. HOSTETLER, BY ROLAND G. PADDY,
HIS ATTORNEY-IN-FACT

Signed, acknowledged and delivered in the presence of
★ [Signature]
Witness #1 SIGN
★ [Signature]
Witness #2 SIGN

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Maryland
COUNTY OF Winchester

PERSONALLY appeared before me and made oath that he or she saw the within-named Grantor(s) sign, seal, and, as his or her act and deed, deliver the within-written Assignment for the uses and purposes therein mentioned, and that he or she with the other witness subscribed above witnessed the execution thereof.

SWORN to before me this

31st

day of

March A.D. 20

09

★

Notary Public

(Seal)

My Commission expires:

My Commission Expires
July 1, 2009

★ [Signature]
Witness #1 SIGN

EXHIBIT "A"

All that certain piece, parcel or tract of land, together with the improvements thereon, containing ninety-nine and thirty-seven hundredths (99.37) acres, more or less; situate, lying and being in the County of Lexington, State of South Carolina; being shown and designated as "Tract G" on a Plat prepared by C.L. Hartley, RLS, dated 29 March 1912 and recorded in the office of the Lexington County Register of Deeds in Plat Book 49-G at page 109, and having the following metes and bounds: One the North by property now or formerly of Felix Burgess and measuring thereon a distance of fifty-seven (57) chains, more or less; One the East by property now or formerly of Johnson and Johnson and measuring thereon a distance of thirteen and forty-four hundredths (13.44) chains, more or less; One the South by property now or formerly of E. Hall and measuring thereon a distance of sixty and forty-six hundredths (60.46) chains, more or less; and One the West by the run of Chiquapin Creek. Further reference is made to that certain boundary survey prepared by James F. Drafts, RLS, dated 21 July 2003 and filed with the Lexington County Register of Deeds on 13 August 2003 in Record Book 8522 at page 73.

Derivation: This being the identical property conveyed to the Mortgagors by Deed of D&B of Myrtle Beach, LLC, dated 06/24/2005 and recorded 07/1/2005 in the Lexington County Register of Deeds office in Deed Book 15861 at page 104.

TMS No.: 009300-04-005



"DOC66204607330000000070000937480000000"

EXHIBIT "B"

This EXHIBIT "B" is attached to and by this reference is made a part of the ASSIGNMENT OF RENTS, dated March 31, 2009, and executed in connection with a loan or other financial accommodations between REGIONS BANK and ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS.

SCHEDULE OF LEASES

NONE

THIS EXHIBIT "B" IS EXECUTED ON MARCH 31, 2009.

GRANTOR:

★ *Roland Paddy*
ROLAND G PADDY

★ *David S. Hostetler*

x *By Roland G. Paddy, JTF*
DAVID S. HOSTETLER, BY ROLAND G. PADDY,
HIS ATTORNEY-IN-FACT

★ *William H. Owens*

x *By Roland G. Paddy, JTF*
WILLIAM H. OWENS, BY ROLAND G. PADDY,
HIS ATTORNEY-IN-FACT

000429

OWENS
Steel
and Machine Works, Inc.

808 BOARD
MYRTLE BEACH, SC 29577
PH. 448-5050

CAROLINA FIRST
MYRTLE BEACH, SC 29577
67-219/539 Branch 01351

747

2/3/2005

PAY TO THE
ORDER OF MICHELLE PADDY TRUST FUND

\$ **30,000.00

Thirty Thousand and 00/100

DOLLARS

MICHELLE PADDY TRUST FUND

OWENS STEEL AND MACHINE WORKS, INC

[Signature]
AUTHORIZED SIGNATURE

⑈007478⑈

WARNING - THIS DOCUMENT HAS A SECURITY COLOR BACKGROUND ON FACE AND ORIGINAL DOCUMENT SECURITY SCREEN ON BACK

WILLIAM H. OWENS 6-99 MYRTLE BEACH, SC 29578-0412		1480
DATE <u>2-3-05</u>		67-219/539 BRANCH 01351
PAY TO THE ORDER OF	<u>Michelle Paddy Trust</u>	\$55,000.00
<u>Fifty Five Thousand & no/100</u>		DOLLARS
CAROLINA FIRST MYRTLE BEACH, SC 29577		
FOR <u>William H Owens</u>		
⑈051801107⑈		1480

PADDY-SON
DEVELOPMENT CO., INC.
MYRTLE BEACH, SC 29578

CAROLINA FIRST BANK
MYRTLE BEACH, SC 29577
67-219/539

13605

PAY TO THE
ORDER OF

Michelle Paddy trust acct.
Fifteen thousand 00/100

\$ 15,000.00

DOLLARS

MEMO

⑈013605⑈

000430



OWENS STEEL AND MACHINE WORKS, INC.

MICHELE PADDY

12/7/2004

725

50,000.00

*OWENS
50,000-
12/7/04*

CAROLINA FIRST CHEC

50,000.00

**CAROLINA
FIRST**

MICHELE PADDY
OWENS STEEL AND MACHINE WORKS, INC.

REMITTER

PAY
TO THE
ORDER OF

MICHELE PADDY

Twenty Thousand Dollars and 00/100

OFFICIAL CHECK

CashrCk 67-219 1149770
Jl Myrtle Beach Marsh
7236 0004 12-08-04 14:57
7100223220
AMOUNT: \$20,000.00
CASH IN: \$0.00
CASH OUT: \$0.00 20 -

*Island 20,000 - Carolina First
20,000 - Carolina First Credit
10,000 - Michele's union
50,000 12/7/04*

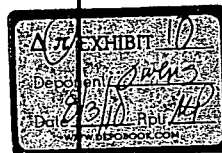
SIGNATURES REQUIRED OVER \$10,000.00

AUTHORIZED SIGNATURE
NON-NEGOTIABLE
CUSTOMER COPY
AUTHORISED SIGNATURE

000431

Sell @ 2,200,000.00 - 6/29/09

Regions Bank		650,000.00
Greer State Bank		155,000.00
Roland Paddy:		
Deposits -	502,994.42	
Interest on deposits -	100,598.88	
Note: 1/03/05 -	100,000.00	
Interest on Note -	100,000.00	803,593.20
David Hosettler:		
Deposits -	192,226.05	
Interest on deposits	38,445.21	230,671.26
Herman Owens:		
Note: 1/03/05 -	100,000.00	
Interest on Note -	100,000.00	200,000.00
Survey - Robert warner		4,000.00
Title Insurance and Lawyers Fee (Michele Refosco)		<u>7,000.00</u>
		2,050,264.56
Monies available to pay:		
Saoul		
Craig		
Hugh Hosettler		149,735.44
		<u>2,200,000.00</u>



000432

1 STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

2 COUNTY OF LEXINGTON

3 Regions Bank,

4 Plaintiff(s),

5 vs.

CIVIL ACTION NO.
09-CP-32-5373

6 WILLIAM S. OWENS, DAVID S.
7 HOSTETLER, ROLAND G. PADDY,
8 AND GREER STATE BANK,

9 Defendant(s).

COPY

10 DEPOSITION OF: ROLAND G. PADDY

11 DATE: Tuesday, August 3, 2010

12 TIME: 1:01 p.m. through 2:52 p.m.

13 LOCATION: Nexsen, Pruet
14 1101 Johnson Avenue, Suite 300
15 Myrtle Beach, South Carolina

16 TAKEN BY: Attorneys for the Plaintiff(s)

17 COURT REPORTER: MADONNA M. PERKINS
18 Registered Professional Reporter
19 Certified Livenote Reporter



STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

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APPEARANCES OF COUNSEL

REPRESENTING THE PLAINTIFF:

NEXSEN, PRUET, LLC
BY: DAVID C. SLOUGH, ESQUIRE
1101 Johnson Avenue
Suite 300
Myrtle Beach, SC 29577
Office: (843) 213-5411
Fax: 213-5407
E-mail: Dslough@nexsenpruet.com

REPRESENTING THE DEFENDANT OWENS:

HILLIARD LAW FIRM
BY: JOHN H. HILLIARD, III, ESQUIRE
408 Cleland Street
P.O. Box 658
Georgetown, SC 29442
Office: (843) 527-1500
Fax: (843) 527-1400
E-mail: Hilliardlawfirm@sccc.tv

-AND-

PAVILACK LAW FIRM
BY: CHEEVIN LEX GARDNER, ESQUIRE
603 N. Kings Highway
P.O. Box 2740
Myrtle Beach, SC 29578
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Fax: (843) 626-0003

FOR THE DEFENDANT PADDY:

BARFIELD & JOHNSON
BY: W. WESLEY JOHNSON, JR., ESQUIRE
111 East Main Street, Suite D
Lexington, SC 29072
(803) 957-4000
E-mail: Main@barfieldjohnson.com

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REQUESTED INFORMATION

(No Information was Requested)

E X H I B I T S

PLF. EXH. 1, 2/1/05 Promissory Note for \$35,000	12	14
PLF. EXH. 2, 2/1/05 Promissory Note for \$200,000	12	16
PLF. EXH. 3, 2/1/05 Promissory Note for \$250,000	12	19
PLF. EXH. 4, 12/7/04 Promissory Note for \$200,000	12	22
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1 STIPULATION: It is stipulated by and
 2 among Counsel that this deposition is being
 3 taken in accordance with the South Carolina
 4 Rules of Civil Procedure; and that the
 5 deponent does not waive reading and signing
 6 of this deposition.

7 * * * * * * * * * * * * * * *

8 ROLAND G. PADDY, being first duly
 9 sworn, testified as follows:

10 EXAMINATION

11 BY MR. SLOUGH:

12 Q. Mr. Paddy, my name is David Slough, and I'm
 13 here representing Regions Bank in this foreclosure
 14 action. You sat through the earlier deposition of
 15 Mr. Owens, so you've heard what I'm getting ready
 16 to say as far as how the ground rules go, but I
 17 just need to make sure it's on the record.

01:01PM

18 As I said earlier, this nice lady right here
 19 is a court reporter, so she's going to be taking
 20 down everything that we say. So I would ask that
 21 if you give an answer to a question that you
 22 verbalize that answer instead of giving an "uh-huh"
 23 or "unh-unh" shaking your head.

01:01PM

24 A. I understand.

25 Q. I would also ask that when I ask a question,

01:02PM

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1 you let me go ahead and finish the question before
2 you answer; that way it makes her job a whole lot
3 easier to take down information.

4 Are you on any medications that may affect
5 your ability to give truthful answers today?

01:02PM

6 A. No.

7 Q. Have you ever had your deposition taken
8 before?

9 A. Yes.

10 Q. When was that?

01:02PM

11 A. Probably about seven or eight years ago.

12 Q. And what was the nature of that case?

13 A. It was relating to a damage to a
14 condominium.

15 Q. Was that a property damage case?

01:02PM

16 A. Yes.

17 Q. And were you the owner?

18 A. No, I was just the consultant.

19 Q. And what did you do in preparation for
20 today's deposition?

01:02PM

21 A. I just met with my lawyer.

22 Q. Okay. And I don't want to get into any
23 conversations you may have had with your lawyer,
24 because that's privileged.

25 A. Nothing.

01:03PM

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1 Q. Did you review any documents?

2 A. Yes.

3 Q. Okay. What sort of documents have you
4 looked through?

5 A. Just the Regions Bank documents.

01:03PM

6 Q. And, Mr. Paddy, what's your educational
7 background?

8 A. Just high school.

9 Q. And how long have you been in the Myrtle
10 Beach area?

01:03PM

11 A. Since '74.

12 Q. And are you -- do you have any relatives
13 over the age of 18 in Lexington County?

14 A. No.

15 Q. And are you employed now?

01:03PM

16 A. Yes.

17 Q. Where are you employed?

18 A. Self-employed.

19 Q. And what's the name of your company?

20 A. Paddy-Son Development Company, Inc.

01:03PM

21 Q. And how long have you had that company?

22 A. Since 1950.

23 Q. Now, I know you said you moved here in 1974
24 to Myrtle Beach. Have you been in the area since
25 the '50s, or where did the company start out?

01:04PM

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000438

1 A. In Baltimore, Maryland.

2 Q. It's obvious from the name that you're a
3 development company, but more specifically, what
4 type of development do you do?

5 A. Now we do mostly remodeling.

01:04PM

6 Q. So it would be construction, remodel of
7 homes, condominiums, that sort of thing?

8 A. Yes.

9 Q. Has that always been the nature of your
10 business?

01:04PM

11 A. I've done all sorts of buildings. I'm a
12 general contractor.

13 Q. That was going to be my next question.

14 And, of course, you hold a license with the
15 State of South Carolina?

01:05PM

16 A. Yes.

17 Q. Now, you heard the testimony earlier from
18 Mr. Owens regarding the property in Lexington
19 County. And just as I said in the deposition with
20 Mr. Owens, when we talk about "the property," I'm
21 talking about the 99 plus or minus acres in
22 Lexington County.

01:05PM

23 A. Yes.

24 Q. Is that your understanding of -- can we use
25 that term "the property" and have the same

01:05PM

1 understanding that's what it is?

2 A. Yes.

3 Q. How did you come to be involved in that
4 property?

5 A. A builder locally, David Hostetler, came to
6 me and asked if we had somebody that would invest
7 in that property. He had put some money up with a
8 lawyer, and that lawyer absconded with \$250,000.
9 So the contract was opened. And he asked if I had
10 someone to go ahead and invest with him.

11 Q. All right. Let me back up. So he was
12 originally involved with a lawyer for the purchase
13 of that property?

14 A. Yes.

15 Q. And when would that have been?

16 A. Had to be in 2004.

17 Q. And who was the lawyer for the other party?

18 A. I can't think of his name. He's from
19 Surfside, which is locally. He's been disbarred.

20 Q. That was going to be my next question.

21 A. I'm sorry.

22 Q. That's all right. That makes my job easier
23 when you know what I'm going to ask.

24 Of that 200,000, that was Mr. Hostetler's
25 money?

1 A. They had invested \$250,000. And he came to
2 me about recouping that by getting some investors
3 to go ahead through with the sale of the property.

4 Q. But Mr. Hostetler personally was out
5 200,000?

01:07PM

6 A. His father-in-law -- no, his father was out
7 175,000, and he and three other investors were out
8 approximately another 75,000.

9 Q. And who were those other investors, do you
10 know?

01:07PM

11 A. I don't know.

12 Q. If you could, describe what this property
13 is. I've seen the appraisals, but I just want a
14 better description of what it is.

15 A. First of all, the property is 107 acres, to
16 correct your acreage. And it has an abundance of
17 water, underground water, which he came to us about
18 putting a bottling plant there. That's why he
19 wanted to purchase it.

01:07PM

20 Q. Okay. So when Mr. Hostetler comes to you
21 regarding this investment, what do you tell him?

01:08PM

22 A. I told him I would search, which then I
23 asked Mr. Owens if he were -- wanted to go ahead
24 and invest in this.

25 Q. And when would that conversation have taken

01:08PM

1 place?

2 A. The tail end of 2004.

3 Q. And how did you know Mr. Owens?

4 A. I had been dealing with him since 1974.

5 Q. Through your business?

01:08PM

6 A. Yes. He has a steel business, and I had the
7 construction business.

8 Q. And what did Mr. Owens say regarding your
9 idea?

10 A. He said he'd think about it, and eventually
11 we got together and put up \$200,000, he 100,000 and
12 me 100,000, with Mr. Hostetler.

01:09PM

13 Q. And how much did Mr. Hostetler have in it?

14 A. He didn't have anything in it at that time.

15 MR. GARDNER: I'm sorry, could you
16 repeat that?

01:09PM

17 THE DEPONENT: As far as I know, he had
18 nothing in it.

19 MR. GARDNER: But how much did
20 Hostetler invest in it and how much did you
21 invest in it?

01:09PM

22 THE DEPONENT: He had invested in it at
23 the beginning before we got involved and
24 lost it, you know, with the attorney.

25 MR. GARDNER: The amount of his

01:09PM

1 investment, the Hostetler investment?

2 THE DEPONENT: He didn't have
3 anything --

4 MR. GARDNER: He didn't have
5 anything invested besides --

01:10PM

6 THE DEPONENT: No. The 200,000
7 consummated the sale.

8 MR. GARDNER: I see.

9 THE DEPONENT: That's what you're
10 asking for.

01:10PM

11 BY MR. SLOUGH:

12 Q. That's right.

13 And just so we can make this clear so the
14 record is clear, Mr. Hostetler had lost out on
15 about 200,000 that was supposed to go to the
16 purchase of the property, that money disappears.

01:10PM

17 A. Disappeared, right.

18 Q. And then so 100,000 from you and the 100,000
19 from Mr. Owens was the 200,000 for the purchase?

20 A. Yes.

01:10PM

21 Q. Now, what was the nature of your agreement
22 with Mr. Hostetler and Mr. Owens? Was it a
23 partnership? Was it an investment? What exactly
24 was it?

25 A. It was a loan to Mr. Hostetler, which was

01:10PM

1 supposed to bring us back \$200,000 apiece.

2 Q. Was there any agreement in writing regarding
3 this?

4 A. Yes.

5 Q. And do you have a copy of that agreement?

01:11PM

6 A. I don't have anything with me.

7 Q. Do you still have that agreement in your
8 possession?

9 A. Yes.

10 MR. GARDNER: I do have some paperwork
11 here.

01:11PM

12 (Off the record.)

13 MR. SLOUGH: Let's mark these.

14 (PLF. EXH. 1, 2/1/05 Promissory Note
15 for \$35,000, was marked for identification.)

16 (PLF. EXH. 2, 2/1/05 Promissory Note
17 for \$200,000, was marked for
18 identification.)

19 (PLF. EXH. 3, 2/1/05 Promissory Note
20 for \$250,000, was marked for
21 identification.)

22 (PLF. EXH. 4, 12/7/04 Promissory Note
23 for \$200,000, was marked for
24 identification.)

25 BY MR. SLOUGH:

01:13P

STENOGRAPHY REPORTING SERVICE, LLC

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392 Oak Moss Court, Murrells Inlet, SC 29576

000444

1 Q. Mr. Paddy, I'm going to go ahead and show
2 you this. We've marked that as Exhibit 1 to your
3 deposition, if you could tell me what that is, if
4 you've ever seen it or not.

5 A. I didn't have all the money to put up my
6 100,000, and Mr. Owens loaned me 35,000 of which I
7 paid him back the 35,000.

8 Q. So Exhibit 1 represents that loan that you
9 received for the 35 so you could put --

10 A. Towards the 100,000, yes.

11 Q. And it's your testimony that has been paid
12 back to Mr. Owens?

13 A. Yes.

14 Q. Let me show you what we have as Exhibit 2.

15 A. This is where Herman Owens and Roland Paddy
16 loaned \$200,000 to Hostetler.

17 Q. And is this one of the -- is this the
18 written agreement that you talked about earlier, or
19 is there another written agreement?

20 A. No, that's the written agreement.

21 Q. Let me show you Exhibit 3. See if you can
22 identify that document.

23 A. I would assume that this is representing one
24 100,000, and that the other one was representing
25 the other 100,000, because they were put up at

01:13PM

01:13PM

01:14PM

01:14PM

01:15PM

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000445

1 different times. I'm not sure.

2 Q. And this one --

3 A. Because one is for 200,000; one is for
4 250,000. So they couldn't be the same. It has the
5 dates on them.

01:15PM

6 Q. So was it a total of 450,000 that was put
7 up?

8 A. No, no, no. We put up 100,000 apiece,
9 that's all we ever put up, 200,000. The document I
10 have shows the 200,000 being put up, and that's
11 all. It doesn't show all this other...

01:15PM

12 Q. But it looks like the Exhibit 2 shows
13 200,000.

14 A. I can't answer that, not sensibly.

15 Q. Let me show you this; this may help. Here's
16 an additional exhibit, Exhibit 4.

01:16PM

17 A. This is prior to these two (indicating).
18 This is '04, and this is '05 (indicating).

19 Q. And it looks like the '04 is you were
20 guaranteed a repayment of 200,000 at closing of the
21 property?

01:16PM

22 A. Yes. This is the one I have (indicating).

23 Q. Exhibit 4 is the one that you have?

24 A. Yeah.

25 Q. And when it talks about the closing of the

01:17PM

1 property, it says, "Payment shall be made as
2 follows: \$200,000 due upon the closing of the
3 purchase of 153 Love Lane, Batesburg, per the
4 Contract of Sale dated November 16, 2004, between
5 David Hostetler and Miracle Wells, LLC."

01:17PM

6 A. He never closed it.

7 Q. So the contract that was dated November 16,
8 2004 between Hostetler and Miracle Wells never
9 closed?

10 A. Right.

01:17PM

11 Q. And Exhibits 3 and 4, you're not aware of
12 what these sums are here?

13 A. I'm not familiar with them, no.

14 Q. But it was your understanding -- well, let
15 me ask it this way. Was it your understanding that
16 you were purchasing the property or you were just
17 merely investing?

01:17PM

18 A. We were investing at first, and then it got
19 to the point we were going to lose it or we had to
20 enter into Regions.

01:18PM

21 Q. And why was that? Why were you going to
22 lose it?

23 A. Because there was other monies owed on it.

24 Q. And what other money was that?

25 A. To a fellow named Moran and Mrs. Love, who

01:18PM

1 they owned the property prior.

2 Q. Okay. Let me stop you here so I can make
3 sure I can go through this.

4 Let me refer to Exhibit 1 from Mr. Owens'
5 deposition, which is a copy of the deed for this
6 property?

01:18PM

7 A. Yes.

8 Q. And it looks like the property is being
9 conveyed from -- and you'll see at the top -- there
10 should be a name at the top; it says "grantor."

01:18PM

11 A. You're talking about D&E?

12 Q. D&E.

13 A. D&E was the guy that owned it, and we were
14 helping buy the property from him.

15 Q. Okay. And that was going to be my question.
16 This deed appears to convey the property from D&E
17 to --

01:19PM

18 A. The three of us.

19 Q. -- to the three of you. And that's Paddy,
20 Hostetler and Owens?

01:19PM

21 A. Yes.

22 Q. How does this fit into the money that was
23 loaned to Mr. Hostetler?

24 A. We put up money before this.

25 Q. Because that deed, I believe, was recorded

01:19PM

1 July 1st, 2005.

2 A. Well, we had put the money up in 2004 and
3 February of 2005.

4 Q. And that money was put up for the purchase
5 of the property?

01:19PM

6 A. Purchase of the property. And I had been
7 paying X number of dollars along the line. I had
8 all my statements with me; I could show you. And
9 Hostetler had, also.

10 Q. And --

01:20PM

11 A. In other words, we were attempting to
12 purchase the property which was \$1,020,000. And in
13 the meantime, we had up all but 700,000 of which
14 Regions had put up, because I made 25,000 payments,
15 and he did, too.

01:20PM

16 Q. And you were making those \$25,000 payments
17 to?

18 A. To Moran, who owned that property.

19 Q. Was Moran D&E? Is that who D&E is?

20 A. I don't know. I don't know whether that was
21 his company or not. I just know his last name was
22 Moran.

01:20PM

23 Q. But it was your understanding that you were
24 making payments to the previous owners for the
25 property?

01:20PM

1 A. Yes.

2 Q. And to your knowledge, that may have been
3 D&E of Myrtle Beach?

4 A. It's possible; I'm not sure.

5 Q. But you were fully aware, when you made your
6 investment, that it was for the purchase of the
7 property and that you were going to be an owner of
8 the property?

9 A. Yes, until we were paid off.

10 Q. Now, when you met with Mr. Owens, did you
11 convey that same thing to him?

12 A. No. At that particular time, we were just
13 investing with David Hostetler.

14 Q. And what changed that? What changed it from
15 it being purely you're going to put in money to you
16 being an owner of the property?

17 A. Well, we had to finalize buying the
18 property, which is where Regions came in, said we
19 could go ahead and put a bottling plant in there,
20 which we had people interested in putting in a
21 bottling plant. And it never finalized.

22 Q. But when you were merely investing, was it
23 your understanding that Hostetler was going to buy
24 the property himself?

25 A. Yes, through the bottling plant people.

01:20PM

01:21PM

01:21PM

01:21PM

01:22PM

1 Q. And who were the bottling plant people?

2 A. I don't know.

3 Q. Is that the contract that was referred to in
4 here, Miracle Wells, LLC?

5 A. No.

01:22PM

6 Q. But it was a different company that was
7 going to be involved --

8 A. Yes.

9 Q. -- and Hostetler was going to purchase it
10 with that company?

01:22PM

11 A. Yes.

12 Q. And at some point, that company went away.
13 So in order for Hostetler to buy the company, he
14 needed you and Mr. Owens to help purchase the
15 property?

01:22PM

16 A. Yes.

17 Q. Now, who approached Regions Bank for
18 financing?

19 A. I did.

20 Q. And was Mr. Owens aware that you were
21 contacting Regions for purchase of the property?

01:22PM

22 A. I can't say for sure.

23 Q. Did you ever have any discussions with him
24 that this was no longer just an investment of
25 money, but it was actually a purchase of the

01:23PM

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1 property and that financing would be needed to do
2 that?

3 A. Yes.

4 Q. And when was that conversation, do you
5 recall?

01:23PM

6 A. God knows; I don't know.

7 Q. And I understand it's five years ago but --

8 A. I know. I'm not sure.

9 Q. But you're certain you did have that
10 conversation with him that there would be financing
11 for the purchase and that he would be part of that
12 purchase?

01:23PM

13 A. Until we sold it.

14 Q. And I guess the plan was that at some point,
15 you would sell it to a company, a bottling company,
16 and you guys would be repaid your investment, plus?

01:23PM

17 A. Yes.

18 Q. Let me show you what we have marked as
19 Plaintiff's Exhibit Number 2 to the Owens'
20 deposition and see if you can identify that
21 document.

01:24PM

22 A. It's a mortgage, Promissory Note, same
23 thing.

24 Q. And I believe this note is dated June 24,
25 2005?

01:24PM

1 A. Yes.

2 Q. And it has your name at the top as a
3 borrower?

4 A. Uh-huh.

5 Q. And it has Mr. Owens' name at the top as a
6 borrower?

7 A. Yes.

8 Q. And Mr. Hostetler, it looks, as a borrower?

9 A. Yes.

10 Q. And the principle amount of the note was
11 700,000?

12 A. Yes.

13 Q. And it looks like it was for 23 regular
14 payments of \$6,349.61 and then one balloon payment.

15 On Page 2 there's a signature block. Is
16 that your signature on Page 2?

17 A. Yes it is.

18 Q. And do you recall when this closing took
19 place?

20 A. No.

21 Q. Okay.

22 A. I mean, I know about it.

23 Q. Not specific day, but can you tell me about
24 the closing, where it occurred, who was present?

25 A. Well, I'm certain it happened at Michele's

01:24PM

01:24PM

01:24PM

01:25PM

01:25PM

1 office.

2 Q. And when you say "Michele," just so we're
3 clear --

4 A. Michele Refosco.

5 Q. And she's an attorney here in Myrtle Beach;
6 is that correct?

7 A. Yes.

8 Q. And do you recall if Mr. Owens was present?

9 A. Yes.

10 Q. And to the best of your knowledge, did you
11 see him sign this document?

12 A. I don't -- no, I can't say for sure.

13 Q. But you're certain that that's your
14 signature?

15 A. Yes, I'm certain that's his signature.

16 Q. Okay. You are certain that's his signature?

17 A. Yes.

18 Q. And how are you certain that that's his
19 signature?

20 A. Because I've seen five other files that have
21 got that same signature.

22 Q. And do you recall having discussions with
23 him about this Promissory Note or that transaction?

24 A. What happened was we were offered 3.5 -- no,
25 I'm wrong -- \$3,375,000 for the property with a

01:25PM

01:25PM

01:25PM

01:25PM

01:26PM

1 real estate agent. And I said, you know, we're
2 going to have to hold on to the property until we
3 get something closed. And that was the offer we
4 had given to us. And they had a bottling plant
5 lined up and so forth, but it never got
6 consummated.

01:26PM

7 Q. And so in order to get to the point to sell
8 to this bottling company, you needed to hold on to
9 the property for a period of time.

10 A. Yes.

01:26PM

11 Q. In order to do that, you needed a loan from
12 Regions?

13 A. Yes.

14 Q. And was Mr. Owens aware of what needed to
15 take place so you could hold on to the property
16 until you ultimately sold to the bottling company?

01:27PM

17 A. I would assume so.

18 Q. You had discussions with him regarding the
19 need to finance with Regions?

20 A. Yes.

01:27PM

21 Q. Do you know if he ever had any or were you
22 ever a part of any conversations with Regions when
23 Mr. Owens was present?

24 A. No.

25 Q. And you don't specifically recall going into

01:27PM

1 Michele's office to sign this document?

2 A. Well, naturally, I did do that, yes.

3 Q. And do you know if Mr. Owens was with you
4 when you did that?

5 A. I think he was there, yes.

01:27PM

6 Q. Let me --

7 A. As well as Mr. Hostetler.

8 Q. That was going to be my next question.
9 Mr. Hostetler would have been there as well?

10 A. Yes.

01:27PM

11 Q. And when you went into Michele's office to
12 sign these documents, do you recall if she
13 explained the terms of the documents to you?

14 A. I'm assuming so, yes.

15 Q. I imagine you have had other closings with
16 Michele?

01:28PM

17 A. Yes.

18 Q. Was that her normal practice with you, that
19 if you went in for a closing with Michele, would
20 she explain the contents of the documents you were
21 about to sign?

01:28PM

22 A. She always explains.

23 Q. Let me show you what we have marked as
24 Plaintiff's Exhibit 3 and see if we can identify
25 that document.

01:28PM

1 A. This is the mortgage on Love Lane.

2 Q. And that's with Regions Bank?

3 A. Yes.

4 Q. And you'll see the signature on the, I
5 believe, next to last page. Is that your signature
6 on the document?

01:28PM

7 A. Yes, it is.

8 Q. And to your knowledge, is that Mr. Owens'
9 signature on that document?

10 A. Yes, it is.

01:29PM

11 Q. And Mr. Hostetler's signature?

12 A. Yes, it is.

13 Q. And do you know if that was signed in
14 conjunction with the signing of this Promissory
15 Note that we have marked as Exhibit 2?

01:29PM

16 A. If they're the same notes -- I mean the same
17 days.

18 Q. If you can, take a look at the front and see
19 if you can see the date.

20 A. 7/1/05.

01:29PM

21 Q. And I believe that's a recording date. If
22 you look a little bit lower, there's a --

23 A. Oh, I'm sorry. June 24th, '05. June 24th,
24 '05.

25 Q. So the date on the Promissory Note and the

01:29PM

1 mortgage match?

2 A. Yes.

3 Q. And once again, it's your belief Mr. Owens
4 was present for the signing of this mortgage --

5 A. Yes.

01:29PM

6 Q. -- as well as this note?

7 A. Yes.

8 Q. Let me show you what we have marked as
9 Plaintiff's Exhibit 4 to Mr. Owens' deposition and
10 see if you can identify that.

01:30PM

11 A. Well, it's a mortgage from Greer State Bank.

12 Q. And tell me about that transaction. What
13 was the purpose of that?

14 A. In order to get the pumps working and get
15 everything up-fitted up at the farm -- we had four
16 wells up there -- the electrical needed to be
17 increased. We had to put different pumps in the
18 wells. And I went out and borrowed \$150,000 from
19 Greer State Bank.

01:30PM

20 Q. And are there any other parties listed on
21 that?

01:30PM

22 A. Well, they have them on here. But I'm not
23 sure they're supposed to be on here. I know it
24 shows them all on here.

25 Q. Was it your belief that that loan was only

01:31PM

1 between you and Greer State Bank?

2 A. It doesn't show that. I can't really answer
3 that because everyone signed it, everyone signed
4 every sheet.

5 Q. Do you recall going into, I presume,
6 Michele's and Michele handled that transaction as
7 well?

8 A. It was done in her office.

9 Q. Do you recall if Mr. Owens was with you the
10 day you signed that document?

11 A. I don't know.

12 Q. I don't have a copy of it with me, but I
13 also saw another mortgage with Miracle Wells, LLC.
14 Do you recall the terms of that mortgage or --

15 A. No.

16 Q. -- what the issue was with that?

17 A. Miracle Wells was out of the picture. I
18 think what they were going to do was call it
19 Miracle Wells if they ever consummated the sale.

20 MR. GARDNER: Are you talking about
21 when they gave two \$100,000 to Miracle
22 Wells?

23 MR. SLOUGH: Yes.

24 MR. GARDNER: I think I have that.

25 Yes, here. That's when Mr. Paddy, Mr. Owens

01:32PM

01:32PM

01:32PM

01:33PM

01:33PM

1 and Mr. Hostetler gave 200,000 in
2 subordination to Regions Bank.

3 MR. SLOUGH: Let's go ahead and mark
4 that.

5 (PLF. EXH. 5A, Mortgage of Real Estate,
6 Second Mortgage Position, was marked for
7 identification.)

8 BY MR. SLOUGH:

9 Q. Let me see if you can identify that document
10 that we have marked as Exhibit 5 to your
11 deposition.

01:33PM

12 A. Says that's a second mortgage from the three
13 of us.

14 Q. Do you recall what that is for, what it
15 concerned?

01:34PM

16 A. That was where we up-fitted the project,
17 make the wells, you know, pumps for the wells,
18 electrical and everything.

19 Q. Now, was that different than the Greer State
20 Bank mortgage?

01:34PM

21 A. Well, it should be the Greer State mortgage.
22 No, this is only for \$200,000. This has nothing to
23 do with the Greer State Bank mortgage.

24 Q. And that was my question. That looks like a
25 completely different transaction.

01:35PM

1 A. We only had two mortgages out there. One is
2 Regions and one is Greer State Bank. I don't know
3 what this is.

4 Q. Okay.

5 THE DEPONENT: See if you can decipher
6 this thing.

7 MR. JOHNSON: We'll talk about that.

8 THE DEPONENT: Okay. It's for 700,000.
9 It's got to be for Regions. It says to
10 Regions.

11 MR. JOHNSON: If I may, Mr. Paddy, it
12 says that it is placing a \$200,000 mortgage
13 in a subordinate lien position to the
14 700,000 mortgage to Regions. It references
15 the Regions' mortgage but puts the second
16 mortgage in a position subordinate to that
17 mortgage.

18 THE DEPONENT: Yeah, but it's for
19 200,000. The only one we ever had was for
20 150,000.

21 BY MR. SLOUGH:

22 Q. So you don't recall the specifics of the
23 transactions for Exhibit 5A?

24 A. No, unless we had asked for 200,000 and they
25 only gave us 150,000; I'm not sure. But it

1 mentions no banks or any one person.

2 Q. It looks like it says that you're bound
3 under Miracle Wells, LLC to repay the 200,000.

4 A. I don't know.

5 Q. And going back to the original Promissory
6 Note signed with Regions, was it your understanding
7 that it was for two years; is that correct?

01:37PM

8 A. Yeah. I don't remember the -- I know it was
9 -- also, we extended it several times.

10 Q. And that was where I was going, that there
11 were several extensions to that note. Is that your
12 understanding?

01:37PM

13 A. Yes.

14 Q. Let me show you what we have marked as
15 Exhibit 5 to Mr. Owens' deposition and see if
16 you've ever seen that document?

01:37PM

17 A. Yes.

18 Q. And what was the reasoning behind that
19 document?

20 A. So I could have Power of Attorney, if
21 necessary, to make decisions on the property.

01:37PM

22 Q. And to sign documents related to
23 transactions with Regions?

24 A. Yes.

25 Q. Now, did you ever have any conversations

01:38PM

1 that you needed this Power of Attorney so that
2 Mr. Owens wouldn't have to drive to Columbia to
3 pick up a check or anything like that?

4 A. Well, it wasn't just to do that. It was
5 just to alleviate -- he'd have to be involved in
6 whatever we had to do.

01:38PM

7 Q. But it's your position that Mr. Owens
8 understood what was taking place and the extension
9 with Regions --

10 A. Yes.

01:38PM

11 Q. -- as well as the original loans with
12 Regions?

13 A. Yes.

14 Q. And that he was a party to those
15 transactions --

01:38PM

16 A. Through the Power of Attorney.

17 Q. From the Power of Attorney forward. But
18 prior to that, he even personally appeared at the
19 closings and signed document with you; is that
20 correct?

21 A. Yes.

22 Q. Now, any of these extensions that took place
23 after May 24, 2007, which is the date of this
24 Limited Power of Attorney, did you advise Mr. Owens
25 of those transactions?

01:39PM

1 A. I don't think there was any.

2 Q. Okay. Let me show you what we've marked as
3 Plaintiff's Exhibit 7 to Mr. Owens' deposition and
4 see if you can identify that.

5 A. Well, it's Regions Bank. This is a note
6 from Regions Bank, March 31, 2009.

7 Q. And it looks like you signed that document
8 and you also signed as attorney-in-fact --

9 A. As attorney-in-fact, right.

10 Q. -- for Mr. Owens?

11 A. I also had Hostetler, also.

12 Q. Now, did you advise Mr. Owens of the terms
13 of that agreement prior to signing on his behalf?

14 A. I would assume so.

15 Q. I mean, you wouldn't have just gone in and
16 signed some documents without first telling him
17 what needed to be done, what the transaction
18 involved and that you were getting ready to --

19 A. I'm certain I did, yes.

20 Q. And from May 24, 2007, from the time of this
21 Limited Power of Attorney until the time that you
22 signed on his behalf in -- May 31, 2009, he never
23 expressed to you his desire to revoke this Power of
24 Attorney, did he?

25 A. No.

01:39PM

01:40PM

01:40PM

01:40PM

01:41PM

1 Q. As far as you knew, this Power of Attorney
2 was still in force and effect?

3 A. Yes.

4 Q. Let me show you what we have marked as
5 Plaintiff's Exhibit 8 to Mr. Owens' deposition.
6 See if you can identify that.

01:41PM

7 A. Looks like the same mortgage that you just
8 had there, the extension. Is that what you're
9 asking?

10 Q. That's correct. I'm just asking if you knew
11 what that document is.

01:41PM

12 It looks like there's signatures on the last
13 couple of pages?

14 A. Yes, I signed all these.

15 Q. And once again, you would have talked to
16 Mr. Owens prior to signing that document on his
17 behalf?

01:42PM

18 A. Well, this document and that document are
19 about the same, aren't they? All related to the
20 same thing.

01:42PM

21 Q. Well, they appeared to be signed on the same
22 day. I believe they both have the date of March
23 31, 2009. And I'll say that the one document is
24 entitled Promissory Note; the other document is
25 entitled Assignment of Rents.

01:42PM

1 A. Yeah, I understand.

2 Q. I guess my question to you is, your
3 signature appears on both of those documents?

4 A. Yes.

5 Q. You signed on behalf of Mr. Owens as Power
6 of Attorney?

7 A. Yes.

8 Q. To your knowledge, the Power of Attorney
9 that he had signed May 24th of 2007 was still in
10 effect?

11 A. Yes.

12 Q. And that you would have explained or
13 notified him prior to your signing on his behalf of
14 the terms of the transaction, the term of the
15 transaction with Regions and the need for that
16 transaction; is that correct?

17 A. Yes. I met with Mr. Owens once a week every
18 week until his attorney called me and said they
19 were going to have to sue me. So I haven't met
20 with him since.

21 Q. And when you met with him once a week, was
22 it over this deal or was it over something else?

23 A. Well, sometimes I was elated because I
24 thought we were going to sell. Other times, I was
25 upset because we hadn't sold and/or whatever we had

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01:42PM

01:43PM

01:43PM

01:43PM

01:44PM

1 to do. But all this time, I have been putting
2 money out there. I'm the only one putting money
3 out there for the last two years. And I've got
4 \$600,000 sitting out there, \$583,000.

5 Q. Those payments being paid to Regions, where
6 were those payments coming from?

7 A. Me.

8 Q. As part of your \$100,000 investment, or was
9 that separate and apart from that 100,000?

10 A. No, plus that.

11 Q. Did you ever ask Mr. Owens to contribute
12 towards the payments to Regions?

13 A. No.

14 Q. How about Mr. Hostetler?

15 A. He contributed up until '08.

16 Q. And why did you not ask Mr. Owens to
17 contribute?

18 A. Because I thought it was Hostetler and
19 myself that should be contributing.

20 Q. And why is that, if --

21 A. Why Mr. Owens?

22 Q. Why would you have not asked Mr. Owens to
23 contribute when Mr. Owens was on the loan documents
24 as well?

25 A. No real reason. I was embarrassed that we

01:44PM

01:44PM

01:44PM

01:45PM

01:45PM

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1 hadn't sold it.

2 Q. But it wasn't because he had not entered
3 into the transaction with Regions.

4 A. No.

5 Q. And we may have touched on this, but who had
6 primary contact with Regions?

7 A. Me.

8 Q. Were Mr. Owens or Mr. Hostetler ever
9 included in those conversations?

10 A. No.

11 Q. But as a matter of practice, when you would
12 have a conversation with Regions, would you notify
13 the other two, Mr. Hostetler or Mr. Owens regarding
14 those conversations?

15 A. The only conversation that I had with
16 Regions, you know, they were looking for a payment,
17 and I would send them a payment.

18 Q. Well, in terms of extensions, when
19 extensions were needed, or, for example, on this
20 March 31, 2009 Promissory Note, would you have had
21 conversations with Mr. Owens, Mr. Hostetler
22 regarding --

23 A. Yes.

24 Q. -- regarding your conversations with
25 Regions?

01:45PM

01:46PM

01:46PM

01:46PM

01:46PM

1 A. Yes.

2 Q. Where does the situation stand now with the
3 potential purchaser?

4 A. I don't know.

5 Q. Now, you heard Mr. Owens' testimony earlier
6 that he felt that his name was not on -- or that
7 was not his signature on several of those loan
8 documents?

9 A. Well, I know it is.

10 Q. What's that, again?

11 A. I think it is, yes.

12 Q. And why do you think it is?

13 A. Because he signed several documents with me,
14 and they're all the same.

15 Q. Now, Mr. Owens also said in his deposition
16 that you would have your attorney file an Answer on
17 his behalf. Do you recall any conversation like
18 that?

19 A. Let me clarify that. I called Mr. Johnson
20 to intercede on the foreclosure papers and give us
21 as much as time as we could because I had a
22 contract in hand that, you know, for sale. I
23 didn't know how long it was going to take to get it
24 completed. And it's still not completed. It might
25 be completed today, but I'm not sure. I made a

01:47PM

01:47PM

01:47PM

01:48PM

01:48PM

1 phone call before I came in here. I was hoping we
2 had good news. I told him on the phone that I need
3 good news for Wes. I really did; that's the God's
4 truth. But I just -- your question was?

5 Could you read that back?

01:49PM

6 (The Court Reporter read back the
7 requested testimony.)

8 THE DEPONENT: But I had hired Wes,
9 Mr. Johnson, to keep track of the
10 foreclosure to give us time. And, of
11 course, the foreclosure is involving all
12 three of us. So I mean, it's just not -- I
13 was just hiring him for myself, but it
14 covered all three of us anyway. A
15 foreclosure is a foreclosure, anyway; you
16 know, it had to be only the three of us.

01:49PM

17 BY MR. SLOUGH:

18 Q. So is there a contract for the purchase of
19 the property?

20 A. Yes.

01:49PM

21 Q. And who is the purchaser listed on that
22 contract?

23 A. It's an LLC. I don't have it with me.

24 Q. You say it's set to close sometime soon?

25 A. It should have closed a month ago.

01:49PM

1 Q. What has been the holdup?

2 A. Getting the money together. It's for
3 \$2 million. And that's what I explained to
4 Mr. Owens about, you know, we sold it for
5 \$2 million, that he would get \$160,000. That's
6 some of my paperwork there.

01:50PM

7 Q. And that's what I was getting ready to show
8 you, Exhibit 10 to Mr. Owens' deposition.

9 A. This is what we have invested, you know, or
10 what we're supposed to get out of it. I had to
11 take a 20 percent discount myself. In fact, I
12 think I'm taking \$88,000 off of mine, Mr. Hostetler
13 is taking 20 percent off of his, and Mr. Owens is
14 taking 20 percent off of his, which makes it
15 160,000.

01:50PM

16 And the purpose was to get everything down
17 to \$2 million. And that's what the contract's for.
18 It says here 2.2. In other words, we would get all
19 those figures if we got 2.2. But we are only going
20 to get 2 million. That takes and cuts this out.
21 That's a gentleman that was invested originally,
22 the lawyer that absconded with the money
23 (indicating).

01:51PM

24 Q. Okay.

25 A. And those other two guys or three guys were

01:51PM

1 investors, also.

2 But that explains -- in other words, 2.2
3 million would have gotten the old investors some
4 money back, also. But we are not getting
5 2.2 million. We are only getting 2 million.

01:51PM

6 Q. So if you took 20 percent --

7 A. I took over 20 percent; I took 88,000.

8 Q. If you took 20 percent, Hostetler takes 20
9 percent and Owens takes 20 percent, then that's
10 what you guys would get out of the closing?

01:51PM

11 A. Yes.

12 Q. And that would arrive at the \$2 million
13 purchase price?

14 A. Yes, uh-huh.

15 Q. Is there a deadline on that contract, a
16 drop-dead date of when that's supposed to close?

01:52PM

17 A. No, because I didn't want to give up the
18 purchaser. If he was going to get the money, then
19 I want to the money.

20 Q. And just to clarify regarding the Answer,
21 did you ever tell Mr. Owens that you would have an
22 answer filed on his behalf?

01:52PM

23 A. I told Mr. Owens that I hired a lawyer in
24 that county to take care of whatever we had to do
25 on this foreclosure and to keep me abreast of what

01:53PM

1 was going on.

2 Q. But you never said that an attorney would
3 enter an appearance on his behalf or your behalf or
4 Mr. Hostetler's behalf?

5 A. I didn't think it was necessary. I just
6 thought he would be representing, you know, myself,
7 which all three of us were being foreclosed on.
8 But I personally hired him.

9 Q. Now, Mr. Owens has filed a Counterclaim
10 against Regions. And one of the allegations in his
11 Counterclaim is that there was no meeting of the
12 minds between Regions and Mr. Owens regarding the
13 terms of the loan, or loans in this case, since
14 there are promissory notes.

15 Do you have any information regarding that?

16 A. Only that he knew the mortgage was there.
17 That piece of paper came from Mr. Owens. I gave it
18 to Mr. Owens. What does it say at the top, very
19 top figure?

20 Q. Regions Bank.

21 A. Right.

22 Now, remember, I talked to Mr. Owens every
23 -- once a week, anyway, maybe sometimes twice a
24 week. And, you know, I've known him for years and
25 years and years. Just like he said, we sat down

01:53PM

01:53PM

01:54PM

01:54PM

01:54PM

1 and had lunch together, we talked about business,
2 we did everything. I did all my steel work there.
3 Everything we bought in steel was bought from
4 Mr. Owens.

5 Q. And you would have discussed the loan with
6 Regions?

01:55PM

7 A. Yes. Now, that was in 2005.

8 Q. But you would have also discussed the
9 extensions and the --

10 A. Yes.

01:55PM

11 Q. -- the 2009 Promissory Note?

12 A. Yes, because the mortgage was due, and we
13 had to get an extension or we had to pay it off.

14 Q. When you were served with the foreclosure
15 Complaint, what other conversations did you have
16 with Mr. Owens about that Complaint?

01:55PM

17 A. I took mine to him, and I said, "I was
18 served this."

19 He said, "I've not been served."

20 And then it turned around, neither had David
21 Hostetler. But later on, they got served.

01:56PM

22 Q. Did Mr. Owens express any concern regarding
23 the foreclosure?

24 A. Oh, he was very upset. And I don't blame
25 him.

01:56PM

1 Q. Why was he upset?

2 A. Well, he was upset because he's out \$100,000
3 plus, and he's also on a mortgage that he might
4 have a deficit on.

5 Q. But did he express any concern over the
6 possibility that he was listed on bank documents or
7 included in a foreclosure that he had no notice of?

8 A. Never said a word.

9 MR. SLOUGH: I believe those are all
10 the questions I have, Mr. Paddy. Thank you,
11 sir.

12 THE DEPONENT: Thank you.

13 EXAMINATION

14 BY MR. GARDNER:

15 Q. Hello, Mr. Paddy. My name is Lex Gardner.
16 As you know, I represent Mr. Owens.

17 A. Yes.

18 Q. Just like Mr. Slough, I'm going to ask you a
19 few questions. I'm not trying to trick you; I just
20 want to find out what happened.

21 A. And I won't trick you, either.

22 Q. I appreciate that.

23 You're just slightly older than me, so you
24 might be able to trick me.

25 My question is, this is an extension, this

01:56PM

01:56PM

01:56PM

01:57PM

01:57PM

1 is marked Plaintiff's Exhibit 7, and this is an
2 extension of the Promissory Note, is that right,
3 that's an extension by Regions Bank?

4 A. That's the one we were just talking about.

5 Q. Yes, sir.

01:57PM

6 Now, if you look at the Limited Power of
7 Attorney, which was given to you by Mr. Owens two
8 months ago, is --

9 A. Not two months ago.

10 Q. May 24 of 2007, you're right, two years ago.

01:57PM

11 A. Yes.

12 Q. It's stated on top it's a Limited Power of
13 Attorney, and it's executed solely to sell the
14 property and not to borrow the bank (sic). Do you
15 realize that?

01:58PM

16 A. No, I didn't realize that.

17 Q. So it limited your Power of Attorney.

18 A. Okay.

19 Q. Okay. Let me give that to you, sir.

20 (Tendered document.)

01:58PM

21 A. Okay.

22 Q. That's my only question. Let me move on.

23 You stated that you needed to borrow money
24 from Regions Bank to purchase the land, the said
25 land in Lexington County, approximately 100 acres.

01:58PM

1 But are you aware that this is a contract of
2 sale between David Hostetler purchasing all right
3 of Miracle Wells, LLC including property,
4 trademark, logo for \$1 million, and it was executed
5 the year before, 2004, so he actually already owned
6 the property?

01:59PM

7 A. No, he was purchasing the property. He
8 didn't own it.

9 Q. He did not own it?

10 A. Right. He still had payments to pay on it
11 because I helped make the payments to these people
12 that he had it with.

01:59PM

13 Q. Okay. When did the deed of transfer --

14 A. See Melvin Beaver at the bottom.

15 Q. Okay. So I have a deed here dated -- let's
16 see, this was 2004. Let me make sure -- 16th day
17 of November, 2004. And I have a deed that was
18 recorded in Lexington courthouse at the clerk's
19 office on February, 2001 -- 2005, approximately
20 three months later saying that --

01:59PM

21 A. That's 2001, you say?

22 Q. No, I'm sorry 2005, 2/01/2005. This is
23 Miracle Wells conveying to D&E of Myrtle Beach.

24 A. Okay.

25 Q. Approximately four or five months later, he

02:00PM

02:00PM

1 has already owned the property.

2 A. Not prior to getting a mortgage from
3 Regions, though.

4 MR. JOHNSON: I'm sorry. What document
5 did you say you just handed?

02:00PM

6 MR. GARDNER: The deed from Miracle
7 Wells to D&E.

8 MR. JOHNSON: No, this is the deed from
9 D&E to Paddy, Hostetler and Owens.

10 MR. GARDNER: I'm talking about a
11 derivation clause, I apologize.

02:00PM

12 MR. GARDNER:

13 Q. It says, "This being the identical property
14 conveyed to D&E of Myrtle Beach, LLC, by deed of
15 Miracle Wells, LLC, dated February 1, 2005 in Deed
16 Book 9899 at Page 84."

02:01PM

17 So according to this clause, Mr. Hostetler,
18 controlling deed to Miracle Wells, transferred the
19 deed, he already owns the property by February 1,
20 2005. Would you like to look at it on the
21 derivation clause?

02:01PM

22 MR. JOHNSON: Derivation.

23 THE DEPONENT: And what is your
24 question?

25 BY MR. GARDNER:

02:02PM

1 Q. Well, you stated that you needed to borrow
2 the money to purchase the property. I believe
3 you -- are you a partner of Mr. Hostetler at this
4 time?

5 A. No.

02:02PM

6 Q. You are not. Are you an investor?

7 A. We were investors. Mr. Owens and I were
8 investors --

9 Q. Okay.

10 A. -- at that particular moment.

02:02PM

11 Q. On February 1, 2005?

12 A. Yes.

13 Q. Are you a limited partner? Did you buy
14 stock?

15 A. We just had a note that he was going to pay
16 us \$200,000 apiece back.

02:02PM

17 Q. Okay. Those were the promise note that were
18 discussed about?

19 A. Yes.

20 Q. Were they ever paid?

02:02PM

21 A. No.

22 Q. Did you ever seek legal action to recover?

23 A. No.

24 Q. Okay. Why not?

25 A. Because we got involved being partners in

02:03PM

1 the farm completely.

2 Q. Okay. That you got involved or Mr. Owens
3 did?

4 A. Both of us.

5 Q. Okay. Did you ask Mr. Owens to become
6 partner in the business?

7 A. I assume so, yes.

8 Q. Now, can you tell me the specifics of the
9 assumption? Did you ask him? Did you do anything
10 that showed to you that he willingly, knowingly
11 become a partner?

12 A. Only that we were trying to get on with the
13 farm, being a, you know, bottling plant there and
14 so forth.

15 Q. Okay. What do you mean, to try to get on
16 the farm? Did you actually travel over there?

17 A. Yes. Did I go over there?

18 Q. Yes.

19 A. Yes.

20 Q. You did?

21 A. Yeah.

22 Q. Did Mr. Owens go with you?

23 A. No.

24 Q. Okay.

25 A. He had a business to run. I'd go out there,

02:03PM

02:03PM

02:03PM

02:03PM

02:04PM

1 and I'd stay a couple days because I had workmen
2 working out there.

3 Q. Okay. So he wasn't really an active --

4 A. No.

5 Q. -- investor in this?

02:04PM

6 A. No.

7 Q. He was more like passive?

8 A. Correct.

9 Q. He didn't go over there and kick the tire
10 and look at the land, make sure the water was
11 gushing out of the ground?

02:04PM

12 A. No, he didn't do that.

13 Q. Okay. Could you just give me the general
14 idea? You went over there and kind of kicked the
15 tire, looked at the house -- 7,000-square-feet
16 house, and you saw the land and the water gushing
17 out like oil.

02:04PM

18 Can you tell me, what was your business plan
19 with Mr. Hostetler? You know, it seemed like a
20 great opportunity. How were you going to make
21 money --

02:04PM

22 A. I didn't expect to own it. I mean, I didn't
23 expect to keep owning the farm.

24 Q. I see.

25 A. Neither Mr. Owens, either.

02:05PM

1 Q. Okay.

2 A. In other words, our expectations were that
3 it was going to be sold and we were going to get
4 paid our money back.

5 Q. Okay. And this was February -- around
6 February?

02:05PM

7 A. Well, that's when we made the investment, in
8 February.

9 Q. Okay. So how did that get changed from June
10 24, 2005, when you initiated the contact with
11 Regions Bank to borrow \$700,000?

02:05PM

12 A. The potential purchaser never came through.

13 Q. Okay. So you crossed into being a limited
14 partner into a general partner, like a full partner
15 at that time?

02:05PM

16 MR. SLOUGH: Object to the form.

17 THE DEPONENT: I'm sorry?

18 MR. SLOUGH: I objected. You can go
19 ahead and answer, though.

20 THE DEPONENT: We became a -- the three
21 of us had a partnership.

02:05PM

22 BY MR. GARDNER:

23 Q. You became -- okay. You became a general
24 partner.

25 What made you think that Mr. Owens decided,

02:06PM

1 you know, according to his testimony, he wanted
2 only to invest 100,000? How did he cross the line
3 into becoming a full partner?

4 A. Because they promised with the sale that
5 they would pay us \$300,000 for our \$100,000
6 investments with that sale. The sale was supposed
7 to be \$3,375,000. That's when they told us they
8 would pay us 300,000.

02:06PM

9 Q. Mr. Hostetler did?

10 A. Yes.

02:06PM

11 Q. Okay. But Mr. Owens never assumed more
12 control of the business?

13 A. Neither one of us did, with the exception I
14 would go out there and, you know, see if the well
15 was running and see if everything was electrically
16 working and so forth.

02:06PM

17 Q. Okay. That seems like that would take a lot
18 of knowledge. Is that once a month or once a week?

19 A. I couldn't really say.

20 Q. Okay. But you did go out there and check to
21 make sure everything's okay?

02:07PM

22 A. Yes.

23 Q. I had a loan application. I assume since --
24 with Mr. Slough's questions, you were the point man
25 for the group with the application to Regions Bank.

02:07PM

1 What address is 728 8th Avenue North?

2 A. That's my office.

3 Q. Okay. Could I -- it's listed all through
4 here that Mr. Owens lived at 728 8th Avenue North.
5 Could I assume that you filled out the application
6 for him?

02:07PM

7 A. No, that's my -- my office is 728 8th Avenue
8 North.

9 Q. Okay. So it's -- sure.

10 A. I mean, I don't know what it could be.

02:08PM

11 Q. This is Mr. Hostetler's application saying
12 that he lived at your office.

13 A. I don't have anyone living there.

14 Q. Wait a minute. Did I give you the wrong
15 one? William Owens -- I apologize, this is William
16 Owens here.

02:08PM

17 A. This is Hostetler.

18 Q. That's Hostetler. And he has the same
19 address. I assume he doesn't live at your office,
20 either?

02:08PM

21 A. No, neither one.

22 Q. The telephone number is wrong there, too, I
23 believe, for work.

24 A. His birthday's wrong, too.

25 Q. The birthday is wrong, too, right.

02:08PM

1 So can we assume that Mr. Owens probably did
2 not misstate his birthday and home address?

3 A. I don't know. I've not seen these before.

4 Q. Okay.

5 A. Do you have one for me, too?

02:09PM

6 Q. Yes, sir, I do. You did -- your address is
7 correct?

8 A. It's a loan, so I don't know.

9 Q. This is correct.

10 A. I don't know who -- I'm trying to think who
11 introduced us to Regions.

02:09PM

12 Q. Would the bank officer have filled that out
13 then? Because they put down zero money as monthly
14 income.

15 A. Yeah, gross monthly income.

02:09PM

16 Q. I can't get a bank to lend me money, so...

17 A. It's on all three.

18 Q. Yes, sir.

19 A. I can't remember who --

20 Q. I assume you didn't make zero money in that
21 year.

02:09PM

22 A. No.

23 Q. Okay.

24 A. I can't remember who took in -- who made the
25 loan application.

02:10PM

1 Q. Okay.

2 A. I didn't make it, because I never knew
3 Regions.

4 Q. Did they even care at all about the history
5 of the borrower? Were they just reckless, in your
6 opinion?

7 A. I don't have any idea.

8 MR. SLOUGH: Object to the form.

9 THE DEPONENT: I don't have any idea.

10 BY MR. GARDNER:

11 Q. In your amateur opinion, do you think they
12 were reckless?

13 MR. SLOUGH: Object to the form.

14 THE DEPONENT: I'm not sure.

15 BY MR. GARDNER:

16 Q. Okay. Well, do you remember who filled out
17 that application?

18 A. No, I don't.

19 Q. All right.

20 A. That's what I say; I don't remember who
21 actually set up the loan.

22 Q. Okay.

23 A. Does Regions know?

24 MR. JOHNSON: Just answer their
25 questions.

02:10PM

02:10PM

02:10PM

02:10PM

02:10PM

1 THE DEPONENT: I just answered your
2 question. Pardon me.

3 BY MR. GARDNER:

4 Q. I asked the same question.

5 A. I'm sorry.

02:11PM

6 Q. We'll have to depose the banker to get the
7 answer to that.

8 Okay. Did you take any document to
9 Mr. Owens' workplace to have him sign?

10 A. I don't remember.

02:11PM

11 Q. Would it refresh your memory if I said that
12 three workers at his place said they saw you
13 bringing it to the workplace for him to sign?

14 A. I don't know what they would have been... I
15 mean, how would the workmen know?

02:11PM

16 Q. They said they were pretty close, close by
17 and can --

18 A. Yeah, but I didn't leave the documents there
19 if I had something to sign.

20 Q. No, you did not. But you probably took
21 something for him to sign?

02:12PM

22 A. Oh, I don't know. I'm not sure.

23 Q. Could you tell me -- I know everything gets
24 rolled in when the business is getting started and
25 it sounds really good in the beginning. What was

02:12PM

1 your overall goal between you and Mr. Hostetler? I
2 mean, you had Coca-Cola Company beating down your
3 door. Were you planning to go global and become a
4 big corporation and sell stock at the plant?

5 A. I had no plan at all with Hostetler.

02:12PM

6 Q. I see.

7 A. My only plan with Hostetler was to get paid
8 the money we invested, the money that I had put up
9 into the project and just what's on this sheet.
10 That's the only reason I dealt with Mr. Hostetler.

02:12PM

11 Q. Okay. Even when you assumed the \$700,000
12 liability to the bank, that you didn't, you know,
13 you just wanted your money back?

14 A. Yes.

15 Q. You didn't have any idea of forming a
16 corporation, selling stock or anything like that?

02:13PM

17 A. No.

18 Q. Did Mr. Hostetler try to sell you such an
19 idea?

20 A. No.

02:13PM

21 Q. Okay. So he just wanted to be a small-time
22 water bottling company?

23 A. That's what their intentions were, yes.

24 Q. You're a very intelligent man, a
25 sophisticated businessman. How was all this

02:13PM

1 supposed to be formed? Was it supposed to be
2 formed an LLC, a corporation, you know, when you
3 became partner, assuming a \$700,000 liability? Did
4 you talk about forming a corporation or an LLC?

5 A. You know, it's been so long I can't even
6 remember. I thought we were Miracle Wells.

02:14PM

7 Q. Okay. So you thought you purchased shares
8 of Miracle Wells somehow?

9 A. No, I think that we created Miracle Wells to
10 do this project.

02:14PM

11 Q. Okay. That you formed Miracle Wells?

12 A. Yes.

13 Q. Any reason for you to believe that? Did you
14 visit an attorney?

15 A. It's been so long, but I filled out all my
16 purchase orders Miracle Wells, so I assumed that's
17 what it's called.

02:14PM

18 Q. How did you do your tax --

19 A. I'm sorry?

20 Q. -- in terms of the financial arrangement? I
21 mean, how did you apply? Did you get a K report
22 from an accountant?

02:14PM

23 A. No.

24 Q. I mean, did you get depreciation?

25 A. I have a CPA, but we have never done

02:14PM

1 anything with Miracle Wells except take losses.

2 Q. You did take some losses?

3 A. No.

4 Q. You did not?

5 A. I mean, we have losses.

02:15PM

6 Q. You have losses but did you not deduct them
7 from your personal income tax?

8 A. No.

9 Q. Any reason why?

10 A. The only thing I deducted was interest that
11 I was paying on --

02:15PM

12 Q. Interest to the bank?

13 A. Yes.

14 Q. Did you deduct the whole interest?

15 A. No, I gave Mr. Owens one-third; I gave
16 Mr. Hostetler one-third.

02:15PM

17 Q. Did you convey that one-third to him?

18 A. Yes.

19 Q. By writing?

20 A. I gave him the slip that I got from each of
21 the banks of what the interest was, and he was to
22 take one third of it off his taxes.

02:15PM

23 Q. Okay. So if you're claiming that the three
24 of you were ownership of this business, I would
25 assume that you say it's a partnership, not an LLC

02:16PM

1 or anything, right? Or is it an LLC of Miracle,
2 LLC?

3 A. It's Miracle Wells, LLC, I think.

4 Q. Okay. But you didn't know that in order to
5 get a membership in an LLC, you must be given a
6 share, you know, meaning by law?

02:16PM

7 A. I didn't think about that.

8 Q. Okay. So you just assumed that by thinking
9 that Mr. Owens is a member of this LLC, he would
10 automatically get the shares. Is that your
11 thinking?

02:16PM

12 A. Yes.

13 Q. Okay.

14 A. If there were such a thing, yes.

15 Q. But you didn't talk to your accountant about
16 it?

02:16PM

17 A. No.

18 Q. So knowing now that you did not own an LLC,
19 Miracle Wells, LLC, you would say Hostetler is in
20 total control of the corporation?

02:17PM

21 MR. SLOUGH: Object to the form.

22 THE DEPONENT: No. Miracle Wells is
23 the owner of that property.

24 BY MR. GARDNER:

25 Q. Okay. And Miracle Wells, for the best of

02:17PM

1 your knowledge, is owned by David Hostetler?

2 A. No. It's owned by Paddy, Owens and
3 Hostetler.

4 Q. Okay. But you were never issued a share for
5 the LLC?

02:17PM

6 A. No, not that I know of, yes.

7 Q. Okay. What is your future plans for this
8 business? I mean, it sounds like a great idea,
9 water, good mineral. Was it sunk?

10 A. We were never interested in the bottling
11 plant. We were only interested in putting the
12 money up and getting our money back.

02:17PM

13 Q. I see.

14 A. And we were elated that the first part was
15 going to be 300,000, if it sold for 3 million and
16 over. And we were elated if it sold for 2.2, so we
17 would get 200,000 back. And that's where we are.

02:17PM

18 Q. Okay. And is it your testimony then that
19 Mr. Owens was there at Ms. Refosco law office, and
20 he was there signing the HUD statement?

02:18PM

21 A. I think for the original Regions' mortgage,
22 yes.

23 Q. Okay. Can you tell me who else was there?

24 A. Well, my assumption, Mr. Hostetler was
25 there.

02:18PM

1 Q. Okay.

2 A. And Michele was there.

3 Q. Okay.

4 A. Myself and her assistant.

5 Q. Would that be Ms. Jill Sowers?

02:18PM

6 A. Yes.

7 Q. Now, when you applied for the loan with
8 Regions Bank, can you recall what type of an
9 application you filled out for them or any
10 information that you provide for them?

02:19PM

11 A. No, I can't remember.

12 Q. Okay.

13 A. I know it wasn't -- it didn't look like that
14 one.

15 Q. It wasn't these contracts?

02:19PM

16 A. I don't know.

17 Q. Okay.

18 A. I can't recall.

19 Q. Okay. But you said that was your signature?

20 A. Yes.

02:19PM

21 Q. But the -- Mr. Hostetler or Mr. Owens was
22 with you at the application?

23 A. They might have been, might have been; I
24 don't know.

25 Q. They may have been, okay.

02:19PM

1 Let me just check to make sure. Is this
2 your signature for the closing of June 24, 2005 for
3 the HUD, for the said property of Lexington County?

4 A. Yes. It's also Mr. Hostetler and also
5 Mr. Owens.

02:20PM

6 Q. Did you see him sign?

7 A. Huh?

8 Q. Could you recall him signing at the office?

9 A. No. I assume he was at the office, yes.

10 Q. Okay. But you're not sure now?

02:20PM

11 A. I'm not positive, no.

12 Q. Okay. There's a couple of disbursements I'd
13 like to ask you to find out. Patricia D. Love,
14 from our investigation, was a woman that sold to
15 Muffy Beaver, the previous owner --

02:21PM

16 A. Yeah.

17 Q. -- that sold to David Hostetler.

18 A. Yes.

19 Q. According -- she should have been paid and
20 yet she got paid \$340,000. Can you explain to us
21 why?

02:21PM

22 A. I don't know.

23 Q. Okay. Do you want me to show it to you?

24 A. I know we were working --

25 Q. And then -- and Miracle Wells was given

02:21PM

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000494

1 \$103,000. Can you give us a business reason of
2 why?

3 MR. SLOUGH: Could we go ahead and mark
4 that as an exhibit so we've got that?

5 MR. GARDNER: Sure that would be great. 02:21PM

6 (PLF. EXH. 5B, Settlement Statement,
7 was marked for identification.)

8 BY MR. GARDNER:

9 Q. And Dennis James was also given \$7,000.

10 A. Dennis James had to be the one that made
11 this out for Regions Bank then. 02:22PM

12 Q. I'm sorry. He was the --

13 A. The agent that we couldn't figure out who
14 signed those papers.

15 Q. He was the broker then? 02:22PM

16 A. Yes. That's who Dennis James is.

17 Q. I see. Are you pretty sure or are you just
18 guessing?

19 A. Oh, no. I know.

20 Q. You know? Okay. Do you know if he's a
21 licensed broker? 02:22PM

22 A. Yes, he is.

23 Q. Does he work for Regions Bank?

24 A. No.

25 Q. Thank you, sir. 02:22PM

1 A. I know that Patricia Love needed to be
2 finalized on her payments.

3 Q. Was she not taken care of when Muffy Beaver
4 and Mel Beaver, the previous owner -- was that not
5 taken care of; do you know?

02:23PM

6 A. I don't know how much she was still owed.

7 Q. Okay.

8 A. I know she had a \$500,000 mortgage.

9 Q. So you're saying there was a lien left on
10 it?

02:23PM

11 A. Possibly. I'm not sure.

12 Q. How about the Miracle Wells? Why did
13 they --

14 A. Okay, Miracle Wells. Miracle Wells, they
15 had to pay off a note to NBSC, \$227,000.

02:23PM

16 Q. Okay.

17 A. It's up here (indicating).

18 Q. Now, when did that lien come on to the
19 property? Did David Hostetler borrow that money?

20 A. I don't know whether he borrowed it or I
21 borrowed it.

02:23PM

22 Q. What happened to the money; do you know?

23 A. Which money?

24 Q. The \$227,000 from NBSC that was borrowed.

25 A. I don't know what it was borrowed for.

02:24PM

1 Q. Okay. Now, how about the escrow that was
2 held in Ms. Refosco for 17,500 on the first page?

3 A. The \$17,000 was used to make payments to
4 Regions Bank.

5 Q. Okay. Do you know why?

6 A. Why?

7 Q. Yes, sir.

8 A. Because it was in escrow. I used it
9 personally in my -- on my recording.

10 Q. I'm sorry?

11 A. When I made the payments to Regions Bank,
12 that was used for that.

13 Q. Your payment? Oh, okay, the payment --

14 A. You know, the payments were like \$4500 or
15 something like that.

16 Q. The first payment for the loan or something?

17 A. No, after we had gotten the loan.

18 Q. Oh, I see, okay.

19 Am I misunderstanding? I thought that was
20 the first time you borrowed money from Regions
21 Bank, June, 24, 2005.

22 A. I'm sorry?

23 Q. Wasn't that not the first time the business
24 borrowed money from Regions Bank on June 24, 2005?

25 A. I agree.

02:24PM

02:24PM

02:24PM

02:25PM

02:25PM

1 Q. Okay. Why would you owe them money of 17.5?

2 A. I had to make payments after that.

3 Q. Okay.

4 A. You know, you borrow it today and you start
5 payments next month.

02:25PM

6 Q. I see. That makes sense. That makes good
7 business sense.

8 A. I'm sorry. I don't mean -- I'm not being
9 abrupt or anything like that.

10 Q. No, no, I appreciate it. I realize it's
11 five years ago.

02:25PM

12 A. I'm trying to figure out some of this other
13 stuff.

14 Q. Right.

15 A. I do know what the 17,000 was used for.

02:26PM

16 Q. Okay. And that was for you to pay off the
17 bank?

18 A. Well, I just made payments out of it, that's
19 all.

20 Q. Okay.

02:26PM

21 MR. GARDNER: Could I see the paper on
22 2009 concerning that document that they were
23 going to make a sale and they were going to
24 split it up between everybody?

25 MR. SLOUGH: (Tendered document.)

02:26PM

1 BY MR. GARDNER:

2 Q. Could you tell me who -- it says money is
3 available to pay Saul Craig and Hugh Hostetler.

4 A. Okay.

5 Q. Who are these people?

02:26PM

6 A. Remember I told you about the \$250,000 being
7 absconded by the lawyer?

8 Q. Yes, sir.

9 A. They were cash investors.

10 Q. I see.

02:27PM

11 A. If you see down there, it says Hugh
12 Hostetler, which is David Hostetler's father.

13 Q. Okay.

14 A. And there should be three other names above
15 that.

02:27PM

16 Q. I only got three. You couldn't give me
17 those three other names, could you?

18 A. No. I mean, they're there.

19 Q. Oh, yeah, there are three. I thought you
20 meant three additional.

02:27PM

21 A. They had put in -- it amounted to \$250,000
22 they had put up and they lost it.

23 Q. Okay. But they were a membership of the
24 Miracle Wells, LLC, or were they just a lender to
25 the business?

02:27PM

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000499

1 A. It was before my time.

2 Q. Okay. So you do not know?

3 A. No, I don't even know them. I've never met
4 them.

5 Q. Okay.

02:27PM

6 A. But we were trying to save their money in
7 getting their money back, also. That's why they're
8 listed down there.

9 Q. Okay.

10 A. And whether it was \$2.2 million for sale, we
11 still had an opportunity to pay them -- the three
12 of them or four of them -- that amount of money
13 that's down there -- what is it,
14 100-some-thousand-dollars? -- for them to split up.
15 In other words, it had nothing to do -- they
16 wouldn't have gotten all of their money back, but
17 they would have gotten some of their money back.

02:27PM

18 Q. Okay. There was a contract here, an intent
19 to form a limited liability in 2007. I'm going to
20 find it for you. You may remember it. Do you
21 recall it? You guys -- you were trying to form a
22 company. Do you recall that, you were trying to
23 form an LLC?

02:28PM

24 A. What kind of LLC was it?

25 Q. It basically gave you, like, 25 percent and

02:28PM

02:29PM

1 gave some others a percentage. But what it did do
2 -- and it was never formed, because I checked with
3 South Carolina Secretary of State. It left out
4 Mr. Owens in 2007. And it -- you claim he's being
5 full partner, but that seemed kind of illogical at
6 that point.

02:29PM

7 A. Perhaps the whole thing was, that he was
8 going to be paid off.

9 Q. So by 2007, you were still trying to pay off
10 Mr. Owens?

02:29PM

11 A. Up until today, yes.

12 Q. Okay. Until today, I got you.

13 I'm not going to waste your time. I don't
14 have it. I can send it to you later.

15 A. May I suggest it might have been liquid
16 assets?

02:30PM

17 MR. GARDNER: Did I give it to you,
18 Mr. Slough, maybe?

19 MR. SLOUGH: What's that?

20 MR. GARDNER: I thought that I had
21 brought it. Maybe I gave it to you? I'm
22 sure I gave you a copy.

02:30PM

23 BY MR. GARDNER:

24 Q. Here we go.

25 It says, "Commercial Property Services,

02:30PM

1 February 6, 2000 (sic), Letter of Intent Regarding
2 Formation of Carolina Springs, LLC."

3 A. Probably trying to sell this deal --

4 Q. Yes, sir.

5 A. -- was the one trying to put a bottling
6 plant there.

7 Q. I see.

8 A. And this fellow, the first fellow, Joseph,
9 he had a big thing that he could put \$5 million up
10 to a grant, and it would have paid all of us off --

11 Q. Okay.

12 A. -- Mr. Owens, myself. And then if we wanted
13 to stay in, that was percentages, you know, that we
14 would own.

15 Q. Did you approach Mr. Owens about that, about
16 the proposal?

17 A. He might have. I'm not sure.

18 Q. They may have?

19 A. I might have.

20 Q. You may have, okay.

21 A. Yes, because this is my writing on here.

22 Q. Okay.

23 A. I don't know where you got it.

24 Q. Mr. Owens gave it to me.

25 A. Well, I would have gone over it with

02:31PM

02:32PM

02:32PM

02:32PM

02:32PM

1 Mr. Owens then.

2 Q. Was there a clause in there buying him out
3 that you can remember?

4 A. It was buying everyone out.

5 Q. Okay.

6 A. But he and I had gone over it, apparently.

7 MR. SLOUGH: Mark that.

8 (PLF. EXH. 6, 2/6/07 Letter from
9 Commercial Property Services, was marked for
10 identification.)

11 BY MR. GARDNER:

12 Q. Now, Ms. Refosco, who retained her as the
13 attorney?

14 A. Who retained her?

15 Q. Yes, sir.

16 A. I did.

17 MR. HILLIARD: Gentlemen, do you mind
18 if I ask a few questions as well?

19 MR. JOHNSON: (Indicating).

20 MR. HILLIARD: Thank you.

21 EXAMINATION

22 BY MR. HILLIARD:

23 Q. I'm trying to understand what happened. It
24 seems to me to be sort of a complicated thing. At
25 the time that -- or let me ask you this.

1 How long have you known Mr. Hostetler?

2 A. I had met Mr. Hostetler about six months
3 before this -- Mr. Owens and I invested.

4 Q. And when you met Mr. Hostetler, was it
5 connected to these events or did you meet him in
6 some other way?

02:34PM

7 A. He used to have a restaurant up at 61st
8 Avenue in Myrtle Beach, and I went in there to talk
9 to him about this project.

10 Q. All right. But the project was his to start
11 with?

02:35PM

12 A. Yes.

13 Q. So how is it that you came to his restaurant
14 to talk to him about his project? Did he put
15 feelers out or did he --

02:35PM

16 A. He had asked for someone to come in and
17 invest with him.

18 Q. And what I am getting at is, how did you
19 find out about that?

20 A. He called me.

02:35PM

21 Q. Did he call a bunch of other people or did
22 you --

23 A. Oh, I don't have any idea.

24 Q. He just called you up and said, "Do you want
25 to invest in my project"?

02:35PM

1 A. Mr. Hostetler is a contractor, also.

2 Q. All right.

3 A. And he knows me as a contractor. And he
4 had -- you know, that's how and why he called me, I
5 guess.

02:35PM

6 Q. And at the point in time that he initially
7 contacted you, who owned the property in Lexington
8 County?

9 A. Now I'm not sure whether he owned it or
10 whether -- I know he was under contract for the
11 property. And that's when his money disappeared.

02:35PM

12 Q. At the point in --

13 A. Now, Mrs. Love and I think her husband, both
14 of them are attorneys, but anyhow, they had the
15 mortgage on it at a bank up in North Myrtle Beach.
16 So my assumption, that's what we're paying off,
17 Beaver and Mrs. Love.

02:36PM

18 Q. So at this point, you don't know what
19 interest, if any -- ownership interest
20 Mr. Hostetler had in the property?

02:36PM

21 A. We were not interested in buying the
22 property ourselves. At that time, we were
23 interested in investing in some money and making
24 some money on the investment.

25 Q. When I say interest, I apologize. What I

02:36PM

1 mean is that -- let me ask the question a different
2 way.

3 Do you know whether or not Miracle Wells
4 existed at the point in time that you spoke with
5 Mr. Hostetler about the property in Lexington?

02:37PM

6 A. No.

7 Q. You don't know whether it existed or not or
8 you don't think that it did?

9 A. I'm not sure.

10 Q. All right. And you don't know whether or
11 not he had any ownership in the property at that
12 point?

02:37PM

13 A. I have a contract that he was entered into
14 prior to us being involved. And he was involved in
15 it.

02:37PM

16 Q. You're saying that he was involved in a
17 contract?

18 A. Yes.

19 Q. And the contract was a promise by somebody
20 to do something?

02:37PM

21 A. Yes.

22 Q. So he was involved in a promise, right?

23 A. He was involved in a contract that I know
24 about, yes.

25 Q. Do you have any idea who held the deed to

02:38PM

1 the property in Lexington at a point in time that
2 you and Hostetler first started talking about it?

3 A. Patricia Love, as far as I'm concerned.

4 Q. Held the deed?

5 A. I would think so, yes.

02:38PM

6 Q. All right. And the contract that you're
7 talking about with Mr. Hostetler, what was that
8 contract for or about?

9 A. It was to purchase it for \$1,020,000.

10 Q. All right. And you were going to
11 participate in that purchase?

02:38PM

12 A. No. We were going to invest \$200,000 so he
13 could go through with the purchase.

14 Q. So what we are talking about is you went to
15 Mr. Owens and said, "I want to invest \$100,000 of
16 my money" --

02:38PM

17 A. Yes.

18 Q. -- and I want to invest \$100,000 of your
19 money" --

20 A. True.

02:39PM

21 Q. -- "and I want to give it to somebody to
22 make us a profit of \$200,000 apiece"?

23 A. Yes.

24 Q. And you didn't have your whole \$100,000, so
25 you got \$35,000 from Mr. Owens.

02:39PM

1 A. Yes.

2 Q. And ultimately gave that back to him?

3 A. Yes.

4 Q. And you gave that \$200,000 to Hostetler.

5 A. Well, yes, we did, both of us.

02:39PM

6 Q. Well, Mr. Owens gave it to you -- and the
7 lawyer that we are talking about is -- Michele is
8 your daughter.

9 A. Yes.

10 Q. And he wrote his checks to Michele's trust
11 account?

02:39PM

12 A. I agree.

13 Q. And that money went to Hostetler?

14 A. Yes.

15 Q. Do you have any idea what Hostetler did with
16 it?

02:39PM

17 A. Paid it off on the mortgage.

18 Q. To who?

19 A. As far as I know, it was -- well, not the
20 mortgage; it was the purchase price of the
21 property.

02:39PM

22 Q. Okay. Well, if I understand what you said
23 so far, the Love lady had a lien on the property.
24 Am I understanding that correctly?

25 A. Yes.

02:40PM

1 Q. And the purchase, who was he purchasing it
2 from?

3 A. It was either Mel Beaver or -- Mel Beaver
4 and Patricia Love.

5 Q. So would the \$200,000 have been to reduce
6 Ms. Love's ownership interest in the land?

7 A. Yes.

8 Q. And the Moran that you're talking about,
9 would it refresh your recollection if I said Bob
10 Moran is an attorney from Litchfield Beach who
11 represented the Beavers in connection with this?

12 A. Yes, because of my father -- was owned by
13 Bob Moran. I used to go to his office to make
14 these payments.

15 COURT REPORTER: I'm sorry, your what
16 was?

17 THE DEPONENT: I used to go to his
18 office in Litchfield and make payments
19 there.

20 BY MR. HILLIARD:

21 Q. So it would make sense if Bob Moran was the
22 attorney for the Beavers that those payments would
23 have been going --

24 A. To Bob Moran.

25 Q. Okay. And at that point in time, you don't

02:40PM

02:40PM

02:41PM

02:41PM

1 know whether Miracle Wells existed at that point or
2 not, when you were making the payments?

3 A. Well, naturally, it was reducing the debt
4 service for the contract, yes.

5 Q. What I am saying is, did Miracle Wells, LLC
6 exist --

7 A. I don't know.

8 Q. Do you recollect -- the payments were made
9 by check?

10 A. Yes.

11 Q. Who was the check made out to?

12 A. I think it was made out to Bob Moran.

13 Q. Okay. The loan applications that you looked
14 at, who initiated the contact to get the \$700,000
15 loan?

16 A. Apparently Dennis James did.

17 Q. And who initiated the contact with Dennis
18 James?

19 A. I did.

20 Q. So you know Mr. James?

21 A. I know -- yes, I know James.

22 Q. And what's his business? He's a --

23 A. Right at present, he works for Dr. Beck as a
24 CPA or accountant, whatever it is.

25 Q. Dr. Beck?

02:41PM

02:41PM

02:42PM

02:42PM

02:42PM

1 A. He's a dentist.

2 Q. In Georgetown?

3 A. Georgetown, up on bypass.

4 Q. C.J. Beck?

5 A. I don't know his first name.

02:42PM

6 Q. Okay. You went to Mr. James for a loan; is
7 that right?

8 A. Apparently, yes.

9 Q. Well --

10 A. Yes. I mean, yes.

02:43PM

11 Q. And who decided how much money to borrow?

12 A. We needed \$700,000, apparently.

13 Q. Well, and that's -- how would you have come
14 to that figure?

15 A. Well, NBSC apparently was owed some money.
16 Patricia Love still had some money.

02:43PM

17 Q. And you've looked at the closing statement
18 about where the money went?

19 A. Yes.

20 Q. Do you know who decided how that money was
21 to be disbursed?

02:43PM

22 A. It was just decided that those were the
23 bills that were outstanding, with the exception of
24 the \$17,000.

25 Q. But you don't know, sitting here today,

02:44PM

1 whether Patricia Love was owed any money or not?

2 A. If it was in that statement, she was owed
3 it.

4 Q. And the other money that was disbursed, do
5 you have any independent knowledge about those
6 debts?

02:44PM

7 A. NBSC? Apparently NBSC was a bridge loan
8 until we made a lender.

9 Q. Who got the money from NBSC originally?

10 A. I probably borrowed it.

02:44PM

11 Q. What did you do with it?

12 A. I don't know. I don't remember what I did
13 with it. I had to use it for something at the
14 farm, probably make payments.

15 Q. Make payments to who?

02:44PM

16 A. Moran.

17 Q. And you didn't talk to Mr. Owens about that
18 part, did you?

19 A. That was before his time.

20 Q. So that -- how involved in this were you
21 before Mr. Owens became involved?

02:45PM

22 A. I wasn't.

23 Q. Well, when you say it was before his time,
24 help me understand that.

25 A. Well, I guess what I mean is we were all

02:45PM

1 trying to -- first of all, they were trying to get
2 a bottling plant there.

3 Q. Okay. When you say "they," who is they?

4 A. Meaning Hostetler and his people that he was
5 trying to get a bottling plant with.

02:45PM

6 Q. Okay. Hostetler and his folks were trying
7 to get a bottling plant?

8 A. Yeah. Mr. Owens and I were only interested
9 in investing \$200,000 and getting 400,000 back or
10 600,000 back for our 200,000.

02:46PM

11 Q. Okay. But if the NBSC money was used by you
12 to make payments prior to Mr. Owens' involvement,
13 that's what I am interested in. Tell me about
14 that.

15 A. I can't tell you. I don't know. I mean, I
16 have to pull out my records and find out.

02:46PM

17 Q. Well, one of two things is true: Either
18 Mr. Owens and you became involved with Hostetler at
19 the same time; or --

20 A. Well, we did do that.

02:46PM

21 Q. -- or you were involved with Hostetler
22 before you and Mr. Owens became involved with
23 Hostetler together.

24 A. I knew Hostetler maybe a week or two weeks
25 prior to Mr. Owens and I.

02:46PM

1 Q. So you didn't pay off -- you didn't have any
2 loans with Hostetler prior to Mr. Owens being
3 involved with you?

4 A. No, never had any dealings with him.

5 Q. So the NBSC loan would have been what?

02:47PM

6 A. I'd have to pull the NBSC loan out and see
7 what it is. I don't know what it is. I don't even
8 know whether it's my loan or whether it was
9 Patricia Love's loan. I don't know.

10 Q. So you owe 700,000 -- you and the other
11 people owed --

02:47PM

12 (Proceedings were interrupted.)

13 THE DEPONENT: Excuse me. I'm sorry.

14 (Off-the-record conference.)

15 BY MR. HILLIARD:

02:48PM

16 Q. The loan that's \$700,000 that was disbursed,
17 there's 200,000 of it to NBSC, and you don't
18 remember what that would have been about?

19 A. No.

20 Q. All right, sir. But it's fair to say that
21 Mr. Owens wouldn't know what that's about; he
22 didn't know about it at all.

02:48PM

23 A. He didn't know about it at all.

24 Q. So on his behalf, you borrowed \$700,000 and
25 spent 200,000 that he doesn't know anything about.

02:48PM

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000514

1 A. Apparently I don't know what it's all about,
2 either.

3 Q. Yes, sir.

4 About the Summons and Complaint that the
5 bank served on you and then they served on
6 Mr. Owens. Mr. Owens got his Summons and Complaint
7 from the bank; he called you about it; is that
8 right?

9 A. No. I got mine first.

10 Q. Right.

11 A. And then I went to Mr. Owens, and he had not
12 received one.

13 Q. Right.

14 A. And then eventually he received one, also.

15 Q. Right. And when he got his, he called
16 you --

17 A. Yeah.

18 Q. -- and said, "I got one"?

19 A. Yes. Well, I was probably there that
20 weekend probably talking to him, anyway.

21 Q. And when you talked to him, you told him
22 that you had a lawyer in Columbia to handle it, or
23 a lawyer up there to handle it.

24 A. I have a lawyer to keep check on the -- what
25 was going on, yes.

1 Q. And you took away his Complaint with you
2 when you left. His Summons and Complaint, you
3 carried it with you?

4 A. I don't remember that.

5 Q. Well, if he said that was correct, you
6 wouldn't disagree with him?

7 A. I don't know what I would have done with it.

8 Q. All right. And if Mr. Owens -- let me ask
9 the question a different way, I'm sorry.

10 And I don't remember exactly what you said
11 about this, so just help me with this. But do you
12 recollect taking documents to Mr. Owens' place of
13 business for him to sign on some occasions? Do you
14 remember that?

15 A. No. I mean, I might have. I don't know.
16 I'm not sure.

17 Q. So you may have carried some documents to
18 his place of business for him to sign and then
19 carried them away?

20 A. Possibly.

21 Q. Is it fair to say that you and Mr. Owens
22 were close friends before all this happened?

23 A. We're close friends. As far as I know,
24 we're still close friends.

25 Q. Still close friends.

02:49PM

02:50PM

02:50PM

02:50PM

02:51PM

1 And that he believed that you would have
2 looked out for him?

3 A. Well, I was looking out for him and myself.

4 Q. All right. So it's reasonable for him to
5 believe that you would have gotten a lawyer for him
6 as well as you, if that's what he believed.

02:51PM

7 MR. SLOUGH: Object to the form.

8 THE DEPONENT: Well, my assumption was
9 that whatever happened to me was going to
10 happen to him and to Hostetler, and I would
11 know about it, if that answers your
12 question.

02:51PM

13 MR. HILLIARD: All right, sir. Excuse
14 me one second, Gentlemen, and I'll be done.

15 *(Off-the-record conference.)*

02:51PM

16 MR. HILLIARD: Thank you, sir.

17 MR. GARDNER: I'm done. Thank you so
18 much.

19 THE DEPONENT: You're welcome.

20 MR. JOHNSON: Thank you so much.

02:51PM

21 THE DEPONENT: Can I go off the record
22 with something?

23 MR. JOHNSON: No, no.

24 THE DEPONENT: I'm just going to make a
25 comment.

02:52PM

1 MR. JOHNSON: No, please don't. I'll
2 relay it to them if we need to relay it to
3 them.

4 THE DEPONENT: I can.

5 MR. JOHNSON: Listen to me.

02:52PM

6 THE DEPONENT: I'm hoping this sale
7 goes through today, you know, and get us all
8 straightened out.

9 MR. JOHNSON: Believe me, everybody in
10 this --

02:52PM

11 MR. SLOUGH: Everybody wants that.

12 THE DEPONENT: That wasn't bad, was it?

13 MR. JOHNSON: No.

14 (The deposition concluded at 2:52 p.m.)
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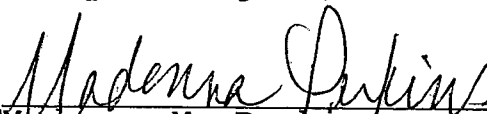
1 CERTIFICATE OF REPORTER

2 I, Madonna M. Perkins, Registered
3 Professional Reporter and Notary Public in and for
4 the State of South Carolina, do hereby certify that
5 the deponent, ROLAND PADDY, was duly sworn by me to
6 testify to the truth, and that the above
7 deposition, Pages 1 through 86, inclusive, was
8 recorded stenographically by me and transcribed
9 through computer-aided transcription by me to the
10 best of my ability.

11 I FURTHER CERTIFY that the foregoing
12 transcript is a true and correct transcript of the
13 testimony given by the said witness at the time and
14 place specified.

15 I FURTHER CERTIFY that I am neither attorney
16 or counsel for, nor related to or employed by any
17 of the parties to the action in which this
18 deposition is taken, or financially interested in
19 this action.

20 IN WITNESS WHEREOF, I have set my hand and
21 seal this 9th day of August, 2010.

22 
23 Madonna M. Perkins
24 Registered Professional Reporter
25 Notary Public
My commission expires
September 19, 2015

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392 Oak Moss Court, Murrells Inlet, SC 29576

000519

1 VERIFICATION OF DEPONENT

2 **CASE: REGIONS BANK vs. OWENS**

3 I, ROLAND G. PADDY, have read the foregoing
4 deposition consisting of 87 pages, which was
5 reported by Madonna M. Perkins, Registered
6 Professional Reporter and notary public in and for
7 the State of South Carolina, on August 3, 2010.

8 I find the transcript of this deposition to
9 be a true and accurate transcript according to my
10 testimony on that date with the exception of _____
11 corrections as listed on the attached correction
12 sheet, which was filled in by me.

13
14
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20
21 _____
22 ROLAND G. PADDY

23
24 _____, 2010
25

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ERRATA PAGE

PAGE # - LINE # CHANGE AND/OR CORRECTION
(AND EXPLANATION)

THE ABOVE CHANGES WERE NOTED BY ME ON THIS ERRATA
PAGE BEFORE SIGNING THE ATTACHED VERIFICATION OF
DEPONENT. I HAVE RETAINED A COPY OF THIS ERRATA
PAGE FOR MY RECORDS, AND THE COURT REPORTER IS TO
ATTACH THIS PAGE AND MY VERIFICATION TO THE
ORIGINAL TRANSCRIPT.

DATED: _____
ROLAND G. PADDY

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000521

PROMISSORY NOTE

\$35,000.00

1 February 2005

For value received, the undersigned, Roland G. Paddy, of ~~122 D. G. H. Road~~ Myrtle Beach, Horry County, South Carolina, promises to pay to the order of Herman G. Owens, together with any other holder of this note ("Creditor"), at ~~222 S. Lombard St.~~ Myrtle Beach, Horry County, South Carolina, the amount of \$35,000.00 plus 6% interest annually.

Payment shall be made as follows:

\$35,000.00 plus interest to date due 15 August 2005

SECTION ONE - REIMBURSEMENT OF EXPENSES

Creditor may take any action that Creditor deems necessary for the maintenance or preservation of the interest of Creditor in repayment. Debtor shall immediately reimburse Creditor for all expenses incurred by Creditor in connection with the foregoing, together with interest at the rate of 8.5% per annum from the date incurred.

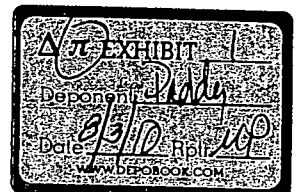
SECTION TWO - DELINQUENT PAYMENTS

Debtor shall pay late charges of 10% of the installment due on any Installment more than ten days delinquent and shall pay interest on the unpaid balance of this note, after such balance becomes due as in this agreement provided, at the highest lawful rate.

SECTION THREE - DEFAULT

The occurrence of any of the following events shall constitute a default:

- A. Nonpayment, when due, of any amount payable under this note and agreement or failure of debtor to perform any agreement contained in this agreement.
- B. Any material false or misleading statement, representation, or warranty of debtor in this agreement or in any other writing at any time furnished by debtor to Creditor.
- C. Insolvency or inability of debtor to pay debts as they mature, the making by debtor of an assignment for the benefit of creditors, or institution of any proceeding by or against debtor alleging that debtor is insolvent or unable to pay debts as they mature.
- D. Entry of any judgment against debtor.
- E. Determination by Creditor, in its absolute discretion, that it is insecure for any reason whatsoever.



SECTION FOUR - REMEDIES

On any default under this agreement, all remaining installments on the note shall, at the option of Creditor, become immediately due and payable, and Creditor may exercise at any time any rights and remedies available to it under South Carolina law. Debtor shall, in case of default, pay all costs incurred by Creditor in collecting note and enforcing the rights of Creditor under this agreement, including reasonable attorney fees and legal expenses.

SECTION FIVE - NOTICE

Creditor may from time to time extend or renew the note for any period, regardless of whether for a longer period than the original period of the note, and grant any releases, compromises or indulgences with respect to the note, any extension or renewal of the note or any security for the note or to any party liable under the note or this agreement, all without notice to or consent of debtor and without affecting the liability of debtor under this note and agreement.

SECTION SIX - WAIVER

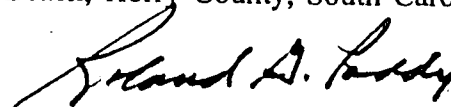
No delay by Creditor in the exercise of any right or remedy under this note and agreement shall operate as a waiver of the same, and no single or partial exercise by Creditor of any such right or remedy shall preclude other or further exercise of the same or the exercise of any other right or remedy.

SECTION SEVEN - CONSTRUCTION AND SEVERABILITY

This note has been delivered at 808 Seaboard Street, Myrtle Beach, Horry County, South Carolina, and shall be construed in accordance with South Carolina law. Whenever possible, each provision of this note shall be interpreted in such manner as to be effective and valid under applicable law; however, if any such provision shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this note.

The rights and privileges of Creditor under this note and agreement shall inure to the benefit of its successors and assigns.

This note has been executed at Myrtle Beach, Horry County, South Carolina, the day and year first above written.



Roland G. Paddy, Debtor

PROMISSORY NOTE

\$200,000.00

1 February 2005

For value received, the undersigned, David Hostetler, of ~~8533 Cedar Tree Drive~~, Myrtle Beach, Horry County, South Carolina, promises to pay to the order of Roland G. Paddy and Herman Owens, together with any other holder of this note ("Creditor"), at ~~100 E. Calhoun Road~~, Myrtle Beach, Horry County, South Carolina, the amount of \$200,000.00.

Payment shall be made as follows:

· \$200,000.00 due 15 August 2005

SECTION ONE - REIMBURSEMENT OF EXPENSES

Creditor may perform any obligation of debtor under this agreement that debtor fails to perform, and Creditor may take any other action that Creditor deems necessary for the maintenance or preservation of the interest of Creditor in repayment. Debtor shall immediately reimburse Creditor for all expenses incurred by Creditor in connection with the foregoing, together with interest at the rate of 8.5% per annum from the date incurred.

SECTION TWO - DELINQUENT PAYMENTS

Debtor shall pay late charges of 10% of the installment due on any Installment more than ten days delinquent and shall pay interest on the unpaid balance of this note, after such balance becomes due as in this agreement provided, at the highest lawful rate.

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- B. Any material false or misleading statement, representation, or warranty of debtor in this agreement or in any other writing at any time furnished by debtor to Creditor.
- C. Insolvency or inability of debtor to pay debts as they mature, the making by debtor of an assignment for the benefit of creditors, or institution of any proceeding by or against debtor alleging that debtor is insolvent or unable to pay debts as they mature.
- D. Entry of any judgment against debtor.
- E. Determination by Creditor, in its absolute discretion, that it is insecure for any reason whatsoever.



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SECTION SIX - WAIVER

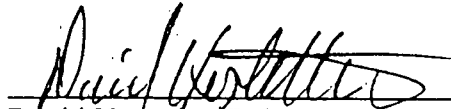
No delay by Creditor in the exercise of any right or remedy under this note and agreement shall operate as a waiver of the same, and no single or partial exercise by Creditor of any such right or remedy shall preclude other or further exercise of the same or the exercise of any other right or remedy.

SECTION SEVEN - CONSTRUCTION AND SEVERABILITY

This combined note and security agreement has been delivered at 400-B Calhoun Road, Myrtle Beach, Horry County, South Carolina, and shall be construed in accordance with South Carolina law. Whenever possible, each provision of this note and agreement shall be interpreted in such manner as to be effective and valid under applicable law; however, if any such provision shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this note and agreement.

The rights and privileges of Creditor under this note and agreement shall inure to the benefit of its successors and assigns.

This note and agreement has been executed at Myrtle Beach, Horry County, South Carolina, the day and year first above written.



David Hostetler, Debtor

PROMISSORY NOTE

\$250,000.00

1 February 2005

For value received, the undersigned, David Hostetler, of ~~8522 Cedar Tree Drive~~, Myrtle Beach, Horry County, South Carolina, promises to pay to the order of Roland G. Paddy and Herman Owens, together with any other holder of this note ("Creditor"), at ~~400 E. Calhoun Road~~, Myrtle Beach, Horry County, South Carolina, the amount of \$250,000.00.

Payment shall be made as follows:

· \$250,000.00 due 15 August 2005

SECTION ONE - REIMBURSEMENT OF EXPENSES

Creditor may perform any obligation of debtor under this agreement that debtor fails to perform, and Creditor may take any other action that Creditor deems necessary for the maintenance or preservation of the interest of Creditor in repayment. Debtor shall immediately reimburse Creditor for all expenses incurred by Creditor in connection with the foregoing, together with interest at the rate of 8.5% per annum from the date incurred.

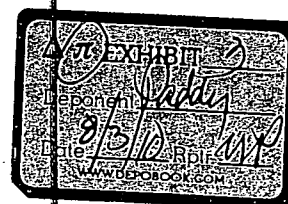
SECTION TWO - DELINQUENT PAYMENTS

Debtor shall pay late charges of 10% of the installment due on any Installment more than ten days delinquent and shall pay interest on the unpaid balance of this note, after such balance becomes due as in this agreement provided, at the highest lawful rate.

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- A. Nonpayment, when due, of any amount payable under this note and agreement or failure of debtor to perform any agreement contained in this agreement.
- B. Any material false or misleading statement, representation, or warranty of debtor in this agreement or in any other writing at any time furnished by debtor to Creditor.
- C. Insolvency or inability of debtor to pay debts as they mature, the making by debtor of an assignment for the benefit of creditors, or institution of any proceeding by or against debtor alleging that debtor is insolvent or unable to pay debts as they mature.
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SECTION SIX - WAIVER

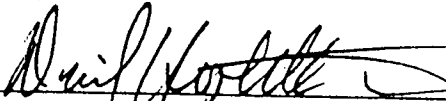
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The rights and privileges of Creditor under this note and agreement shall inure to the benefit of its successors and assigns.

This note and agreement has been executed at Myrtle Beach, Horry County, South Carolina, the day and year first above written.



David Hosteller, Debtor

PROMISSORY NOTE

\$200,000.00

7 December 2004

For value received, the undersigned, David Hostetler, of ~~2632 G. L. Taylor Drive~~
Myrtle Beach, Horry County, South Carolina, promises to pay to the order of Roland G.
Paddy and Herman Owens, together with any other holder of this note ("Creditor"), at
~~100 P. G. L. Taylor Drive~~ Myrtle Beach, Horry County, South Carolina, the amount of
\$200,000.00.

Payment shall be made as follows:

\$200,000.00 due upon the closing of the purchase of 153 Love Lane, Batesburg, per
the Contract of Sale dated 11/16/2004 between David Hostetler and Miracle Wells, LLC.

SECTION ONE - REIMBURSEMENT OF EXPENSES

Creditor may perform any obligation of debtor under this agreement that debtor fails
to perform, and Creditor may take any other action that Creditor deems necessary for the
maintenance or preservation of the interest of Creditor in repayment. Debtor shall
immediately reimburse Creditor for all expenses incurred by Creditor in connection with
the foregoing, together with interest at the rate of 8.5% per annum from the date incurred.

SECTION TWO - DELINQUENT PAYMENTS

Debtor shall pay late charges of 10% of the installment due on any Installment more
than ten days delinquent and shall pay interest on the unpaid balance of this note, after
such balance becomes due as in this agreement provided, at the highest lawful rate.

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- A. Nonpayment, when due, of any amount payable under this note and agreement or
failure of debtor to perform any agreement contained in this agreement.
- B. Any material false or misleading statement, representation, or warranty of debtor
in this agreement or in any other writing at any time furnished by debtor to
Creditor.
- C. Insolvency or inability of debtor to pay debts as they mature, the making by
debtor of an assignment for the benefit of creditors, or institution of any
proceeding by or against debtor alleging that debtor is insolvent or unable to pay
debts as they mature.
- D. Entry of any judgment against debtor.



SECTION FOUR - REMEDIES

On any default under this agreement, all remaining installments on the note shall, at the option of Creditor, become immediately due and payable, and Creditor may exercise at any time any rights and remedies available to it under South Carolina law. Debtor shall, in case of default, pay all costs incurred by Creditor in collecting note and enforcing the rights of Creditor under this agreement, including reasonable attorney fees and legal expenses.

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SECTION SIX - WAIVER

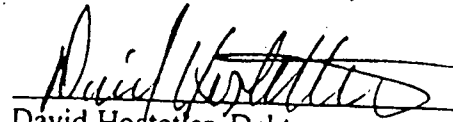
No delay by Creditor in the exercise of any right or remedy under this note and agreement shall operate as a waiver of the same, and no single or partial exercise by Creditor of any such right or remedy shall preclude other or further exercise of the same or the exercise of any other right or remedy.

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This combined note and security agreement has been delivered at 400-B Calhoun Road, Myrtle Beach, Horry County, South Carolina, and shall be construed in accordance with South Carolina law. Whenever possible, each provision of this note and agreement shall be interpreted in such manner as to be effective and valid under applicable law; however, if any such provision shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this note and agreement.

The rights and privileges of Creditor under this note and agreement shall inure to the benefit of its successors and assigns.

This note and agreement has been executed at Myrtle Beach, Horry County, South Carolina, the day and year first above written.


David Hostetler, Debtor

State of South Carolina)

County of Lexington)

MORTGAGE OF REAL ESTATE
(Second Mortgage Position)

***** This Mortgage shall stand in second Mortgage position subordinate to that certain Purchase Money Mortgage from Roland G. Paddy and David S. Hostetler and William H. Owens to Regions Bank in the original amount of Seven Hundred Thousand and NO/100 Dollars (\$700,000.00) dated 24 June 2005 and recorded in the Lexington County Register of Deeds' office. *****

WHEREAS, Roland G. Paddy and David S. Hostetler and William H. Owens (hereinafter called the Mortgagor), in and by his certain Note of even date herewith stands firmly held and bound unto Miracle Wells, LLC, (hereinafter called the Mortgagee), for the payment of the full and just sum of Two Hundred Thousand and NO/100 Dollars (\$200,000.00), payable annually, with the entire balance, if not sooner paid, being due on June 24, 2006, with interest, as in and by the Note, reference being had thereto, will more fully appear.

NOW, KNOW ALL MEN BY THESE PRESENTS, that the Mortgagor, for and in consideration of the debt or sum of money aforesaid, and to better secure its payment to the Mortgagee according to the condition of the Note, and also in consideration of the further sum of Three Dollars (\$3.00) to the Mortgagor in hand well and truly paid by the Mortgagee at the before the sealing the delivery of these presents, the receipt of which is hereby acknowledged, has granted, bargained, sold and released, and by these presents does grant, bargain, sell and release unto the Mortgagee, its successors, heirs and assigns, the real property described as follows:

All that certain piece, parcel or tract of land, together with the improvements thereon, containing ninety-nine and thirty-seven hundredths (99.37) acres, more or less; situate, lying and being in the County of Lexington, State of South Carolina, being shown and designated as "Tract G" on a Plat prepared by C.L. Hartley, RLS, dated 29 March 1912 and recorded in the office of the Lexington County Register of Deeds in Plat Book 49-G at page 109, and having the following metes and bounds: One the North by property now or formerly of Felix Burgess and measuring thereon a distance of fifty-seven (57) chains, more or less; One the East by property now or formerly of Johnson and Johnson and measuring thereon a distance of thirteen and forty-four hundredths (13.44) chains, more or less; One the South by property now or formerly of E. Hall and measuring thereon a distance of sixty and forty-six hundredths (60.46) chains, more or less; and One the West by the run of Chinquapin Creek. Further reference is made to that certain boundary survey prepared by James F. Drafts, RLS, dated 21 July 2003 and filed with the Lexington County Register of Deeds on 13 August 2003 in Record Book 8522 at page 73.

Derivation: This being the identical property conveyed to the Mortgagors by Deed of D&E of Myrtle Beach, LLC, dated 06/24/2005 and recorded 07/____/2005 in the Lexington County Register of Deeds office in Deed Book _____ at page _____.

TMS # 009300-04-005

Mortgagee's Address: 3757 Highway 17 Business, Murrells Inlet, SC 29576



000530

TOGETHER with all and singular the rights, members, hereditaments and appurtenances to the premises belonging, or in anywise appertaining.

TO HAVE AND TO HOLD, all and singular the premises unto the Mortgagee, its successors, heirs and assigns forever.

AND the Mortgagors do hereby bind themselves, their heirs, successors and assigns to warrant and forever defend all and singular the premises unto the Mortgagee, its successors, heirs and assigns, from and against himself and his heirs and successors, lawfully claiming, or to claim the same, or any part thereof.

AND IT IS AGREED, by and between the parties, that if the Mortgagors, their heirs, successors and assigns, shall fail to pay all taxes and assessments upon the premises when they shall first become payable, then the Mortgagee, its successors, heirs or assigns, may cause the same to be paid, together with all penalties and costs incurred thereon, and reimburse themselves under this Mortgage for the sum so paid, with interest thereon at the rate provided in the Note from the date of such payment.

AND IT IS AGREED, by and between the parties that upon any default being made in the payment of the Note, or of the taxes, or of the assessments hereinabove mentioned, or failure to pay any other indebtedness which constitutes a lien upon the real property when the same shall severally become payable, then the entire amount of the debt secured or intended to be secured hereby shall become due, at the option of the Mortgagee, its successors, heirs or assigns, although the period for the payment thereof may not then have expired.

AND IT IS AGREED, by and between the parties that should legal proceedings be instituted for the collection of the debt secured hereby, then the Mortgagee, its successors, heirs or assigns, shall have the right to have a receiver appointed of the rents and profits of the premises, who, after deducting all charges and expenses attending such proceedings, and the execution of the trust as receiver, shall apply the residue of the rents and profits towards the payment of the debt secured hereby.

AND IT IS FURTHER AGREED, by and between the parties that should legal proceedings be instituted for the foreclosure of this Mortgage, or should the Mortgagee become a party to any action by reason of this Mortgage, or should the debt secured hereby be placed in the hands of an attorney at law for collection, by suit or otherwise, all costs and expenses incurred by the Mortgagee, including a reasonable attorney's fee, shall thereupon become due and payable as a part of the debt secured hereby, and may be recovered and collected hereunder.

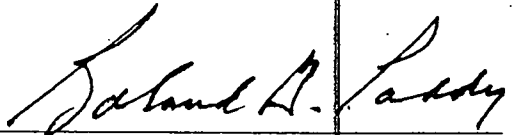
PROVIDED ALWAYS, NEVERTHELESS, and it is the true intent and meaning of the parties, that if the Mortgagor does and shall well and truly pay, or cause to be paid, unto the Mortgagee, its successors, heirs and assigns, the debt or sum of money aforesaid, with interest thereon, and if any shall be due according to the true intent and meaning of the Note and this Mortgage, then this Mortgage shall cease, determine, and be utterly null and void; otherwise it shall remain in full force and virtue.

AND IT IS AGREED, by and between the parties, that the Mortgagors should hold and enjoy the premises until default or payment shall be made.

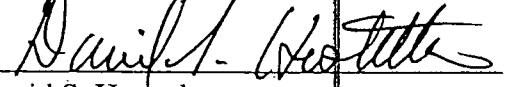
Any reference in this instrument to the plural shall include the singular, and any reference to the neuter shall include the male and female, the male shall include the female, and vice versa.

WITNESS the hand and seal of the Mortgagor(s) this 24th day of June, 2005.

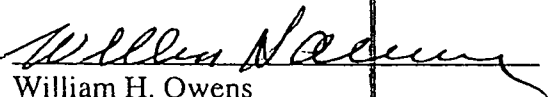
SIGNED, SEALED AND DELIVERED
in the presence of:



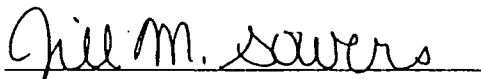
Roland G. Paddy



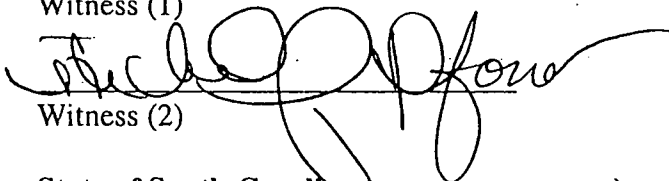
David S. Hostetler



William H. Owens



Witness (1)



Witness (2)

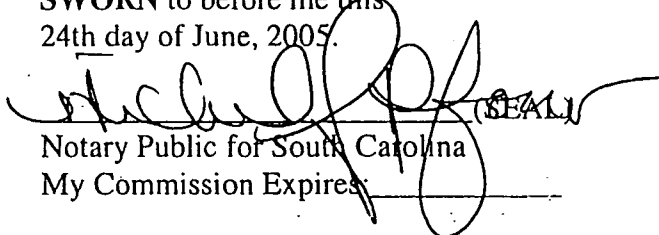
State of South Carolina)

County of Lexington)

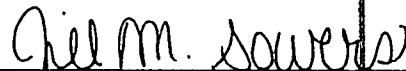
PROBATE

PERSONALLY APPEARED BEFORE ME the undersigned witness and made oath that (s)he saw the within-named Roland G. Paddy and David S. Hostetler and William H. Owens sign, seal, and, as their act and deed, deliver the within-written Mortgage of Real Estate, and that (s)he, with the other witness subscribed above, witnessed the execution thereof.

SWORN to before me this
24th day of June, 2005.



Notary Public for South Carolina
My Commission Expires



Witness (1)

MICHELE PADDY REFOSCO
NOTARY PUBLIC for SOUTH CAROLINA
My Commission Expires: 5 September 2011

000532

U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

1. ☐ FHA	2. ☐ FmHA	3. ☒ CONV. UNINS.	4. ☐ VA	5. ☐ CONV. INS.
6. FILE NUMBER: MIRACLE WELLS			7. LOAN NUMBER: 20314792889001	
8. MORTGAGE INS CASE NUMBER:				

D. NAME AND ADDRESS OF BORROWER:		E. NAME AND ADDRESS OF SELLER:		F. NAME AND ADDRESS OF LENDER:	
Roland G. Paddy David S. Hosteller William H. Owens Myrtle Beach, SC 29577				Regions Bank 290 South Pleasantburg Drive Greenville, SC 29606-8308	

H. SETTLEMENT AGENT: 20-1052810
Michele Paddy Refosco, Attorney

PLACE OF SETTLEMENT
1800 Oak Street, Suite B
Myrtle Beach, SC 29577

F. NAME AND ADDRESS OF LENDER:
Regions Bank
290 South Pleasantburg Drive
Greenville, SC 29606-8308

I. SETTLEMENT DATE:
June 24, 2005

K. SUMMARY OF SELLER'S TRANSACTION

400. GROSS AMOUNT DUE TO SELLER		
401. Contract Sales Price		
402. Personal Property		
403.		
404.		
405.		
<i>Adjustments For Items Paid By Seller in advance</i>		
406. City/Town Taxes	to	
407. County Taxes	to	
408. Assessments	to	
409.		
410.		
411.		
412.		

420. GROSS AMOUNT DUE TO SELLER		
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500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
501. F	

501. Excess Deposit (See Instructions)			
502. Settlement Charges to Seller (Line 400)			

503. Existing loan(s) taken subject to	
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504. Payoff First Mortgage			
505. Payoff Second Mortgage			

506.		
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507.			
508.			

509.		
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Adjustments For Items Unpaid By Seller	
510. City/Town Taxes	

511. County Taxes	10	
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512. Assessments	10		
513.			

514.

515. _____

516. _____

517.			
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518.				
519.				

520	TOTAL REDUCTION AMOUNT	
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600 CASH AT SETTLEMENT

601. Gross Amount Due To Seller (Line 420)

602.	Less Reductions Due Seller (Line 520)	
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603. CASH (TO) (FROM) SELLER	0.00
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of this statement & any attachments referred to herein

7. Wiedermehrung (Verbreitung) von Wasser und Land in der Welt ist unendlich.

The undersigned hereby acknowledge receipt of a completed copy of pages 1&2 of this statement & any attachments referred to herein.

Borrower

Roland G. Paddy

David S. Hostetler

William H. Owens

Seller

L. SETTLEMENT CHARGES

Page

700. TOTAL COMMISSION Based on Price			@ %		PAID FROM BORROWER'S FUNDS AT SETTLEMENT		PAID FROM SELLER'S FUNDS AT SETTLEMENT	
Division of Commission (line 700) as Follows:								
701.	\$	to						
702.	\$	to						
703. Commission Paid at Settlement								
704.		to						
800. ITEMS PAYABLE IN CONNECTION WITH LOAN								
801.	Loan Origination Fee	0.2500 %	to	Regions Bank				
802.	Loan Discount	0.0000 %	to			1,750.00		
803.	Appraisal Fee		to	Regions Bank				
804.	Credit Report		to			150.00		
805.	Lender's Inspection Fee		to					
806.	Mortgage Ins. App. Fee		to					
807.	Assumption Fee		to					
808.								
809.								
810.								
811.								
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE								
901.	Interest From	00/00/00	to	@ \$	/day (	days	7.0000 %)	
902.	Mortgage Insurance Premium for		months to					
903.	Hazard Insurance Premium for	1.0	years to					
904.								
905.								
1000. RESERVES DEPOSITED WITH LENDER								
1001.	Hazard Insurance		months @ \$		per month			
1002.	Mortgage Insurance		months @ \$		per month			
1003.	City/Town Taxes		months @ \$		per month			
1004.	County Taxes		months @ \$		per month			
1005.	Assessments		months @ \$		per month			
1006.			months @ \$		per month			
1007.			months @ \$		per month			
1008.			months @ \$		per month			
1100.	TITLE CHARGES		months @ \$		per month			
1101.	Settlement or Closing Fee		to					
1102.	Preliminary Search Fee		to	Michele Paddy Refosco, Attorney at Law		250.00		
1103.	Title Examination		to					
1104.	Document Preparation		to					
1105.	Administrative Fees		to					
1106.	Express Mail		to	Michele Paddy Refosco, Attorney at Law		50.00		
1107.	Attorney's Fees		to	Michele Paddy Refosco, Attorney at Law		700.00		
(includes above item numbers:								
1108.	Title Insurance		to	Michele Paddy Refosco/Chicago Title		1,275.00		
(includes above item numbers:								
1109.	Lender's Coverage	\$	700,000.00		1,275.00			
1110.	Owner's Coverage	\$						
1111.	Satisfaction Processing Fee		to	Michele Paddy Refosco, Attorney at Law		50.00		
1112.								
1113.								
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES								
1201.	Recording Fees: Deed \$		Mortgage \$	13.00;	Releases \$	5.00		
1202.	City/County Tax/Stamp: Deed						18.00	
1203.	State Tax/Stamp: Revenue Stamp							
1204.								
1205.								
1300. ADDITIONAL SETTLEMENT CHARGES								
1301.	Survey		to					
1302.	Pest Inspection		to					
1303.	Payoff Patricia D. Love		to	Patricia D. Love		340,000.00		
1304.	Payoff Miracle Wells		to	Miracle Wells, LLC		103,600.00		
1305.	Payoff Fee		to	Dennis James		7,000.00		
1400. TOTAL SETTLEMENT CHARGES (Enter on Lines 103, Section J and 502, Section K)						464,843.00		

By signing page 1 of this statement, the signatories acknowledge receipt of a completed copy of page 2 of this two page statement.

Certified to be a true copy.

Michele Paddy Refosco, Attorney at Law, Settlement Agent

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(MIRACLE WELLS / MIRACLE WELLS / 17)

Borrower (s): Roland G. Paddy
~~228-801-1111 North~~
 Myrtle Beach, SC 29577
 David S. Hosteller
~~8532 Cedar Truss Drive~~
 Myrtle Beach, SC 29588
 William H. Owens
~~4040 Pioneer Drive~~
 Myrtle Beach, SC 29577

Lender: Regions Bank
 Settlement Agent: Michele Paddy Refosco, Attorney
 (843)448-9288
 Place of Settlement: 1800 Oak Street, Suite B
 Myrtle Beach, SC 29577
 Settlement Date: June 24, 2005
 Property Location: 153 Love Lane
 Batesburg, SC 29006
 Lexington County, South Carolina
 99.37 acres
 009300-04-005

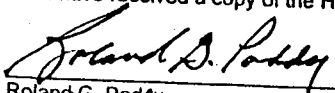
Borrower Loan Payoff Details

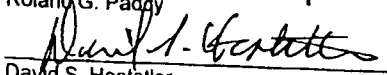
Payoff NBSC Note	to NBSC		Re: 06527957550
Loan Payoff	227,268.75	As of 06/24/05	
Total Additional Interest	325.00	8 days @	40.625000 Per Diem
Total Loan Payoff	227,593.75		

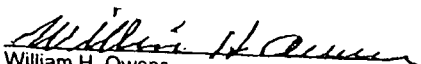
Balance Held in Trust by Al to Michele P. Refosco, Escrow Account

Loan Payoff	As of		
Total Additional Interest	days @		Per Diem
Total Loan Payoff		17,563.25	

I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.


 Roland G. Paddy


 David S. Hosteller


 William H. Owens

WARNING: It is a crime to knowingly make false statements to the United States on this or any similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.

C·P·S

COMMERICAL PROPERTY SERVICES, INC.
REAL ESTATE - DEVELOPMENT - CONSULTING
311 69th Ave N Suite 106, Myrtle Beach, SC 29572
Phone: 843-457-9299 Fax: 843-272-1367
Web site: www.cpsmb.com E mail: eric@cpsmb.com

Members of Carolina Springs LLC.

February 6th, 2007

RE: Letter of Intent Regarding the formation of Carolina Springs LLC and Purchase of the 107+/- Acre Artesian Water Site Located in Batesburg-Leesville, SC

Prospective Members;

This letter is being drafted as an outline of the prospective member's intentions to form a South Carolina Limited Liability Corporation to be named Carolina Springs LLC. This will be a single purpose entity, formed for the reason of purchasing the referenced property above, developing the proposed bottling facility on site and completing all related aspects of executing the proposed project development.

The LLC will be formed with two classes of ownership. There will be established a Non-Voting Ownership Class which will own the LLC and its Assets and a Voting Control group that will represent the voting control and economic interest ownership. Each portion of the LLC will be represented by the proportional ownership of its members and the members' ownership and duties/responsibilities will be as outlined below;

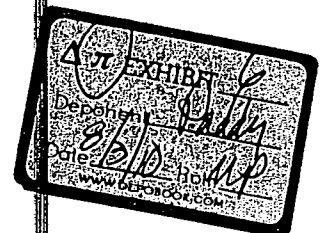
Non-Voting Ownership Group: This group will own the Assets and Liabilities of the LLC and will be responsible for signing on all debt and ownership materials of the LLC. The members and their ownership will be as follows;

- Joseph M Cayuela 51% *5,000,000 - guarantee*
- Eric S Swider 12.25%
- Reserves 12.25%
- David Hostetler 12.25%
- Roland Paddy 12.25%

Voting Control Group: This class of ownership will represent the voting authority of the LLC as well as the economic interest of the LLC. The voting rights and economic interest will be represented as follows;

- Joseph M Cayuela 25%
- Reserves 25% -
- Eric S Swider 16.67%
- Roland Paddy 16.67% *333,333. - interest*
- David Hostetler 16.67%

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Further Dilution and Equity Ownership: The LLC may be required to raise additional capital from time to time. This capital will be raised as equity ownership. Equity Partners will become part of the Voting Control Group only and all current members of this class of ownership will reduce their ownership proportionally as required during each subsequent sale of equity ownership. It will be the intention of the LLC to raise an initial equity position of approximately \$1,500,000 (USD). Currently to date the Partnership has raised a total of \$1,000,000 with an additional capital requirement of \$500,000.

Management Team: The LLC will be a member owned/Manager managed LLC. The management Team will consist of Commercial Property Services and Joseph M Cayuela.

Further rights and responsibilities of the LLC and its members/managers will be detailed in the LLC Charter documents to be drafted by Ray Winters of Rice McDonald and Winters. The Real Estate Closings for the LLC will be handled by Robin Ciacchio of The Ciacco Law Firm.

The LLC Documents will be drafted within 10 business days of the ratification of this Letter and the initial real estate transaction is to occur within 90 days of the ratification of the LLC documents.

By signing below all members agree to the preceding terms in general concept and agree to move forward in consummating the transactions at hand in a timely manner giving their best effort to ensure the completion of duties and responsibilities in the best interest of the partnership.

A faxed copy of signature will be considered an original signature

Signed and Agreed to on this 10th day of February, 2008

Joseph M Cayuela

Eric S Swider

Roland Paddy

David Hostetler

Eric S Swider for Commercial Property Services

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Equity Flow/Profit Distribution Assumptions

The following Assumptions were made when considering Equity Distribution;

- Total Equity Contributions of \$1,500,000 represent 75% of the Equity position; \$100,000 represents 5% vote and distribution
 - Year one and two; \$100,00 represents 1/15th equity payout+1/20th Profit distribution
 - Year three forward; \$100,000 represents 5% of profit distribution
- Debt Guarantee represents 25% Vote and Equity Distribution

The following is the Distribution of Equity and Retained Earnings Hierarchy

1. EBITA
2. NOI
3. 60% of NOI distributed to Equity partners on pro-rata distribution
4. 30% of NOI distributed to Reduce Debt/Capital Reserves
5. 10% of NOI distributed to Partners on Ownership pro-rata basis

Year One

- 60% NOI to Equity
- 30% NOI to Capital Reserves
- 10% NOI to Partners

Year Two

- 60% NOI to Equity
- 30% NOI to Debt Reduction
- 10% NOI to Partners

Year Three (forward)

- 30% NOI Debt Reduction
- 70% NOI Partners

	Year One	Year Two	Year Three	Totals
Joe	\$ 27,251.31	\$ 180,853.39	\$ 514,448.38	\$ 722,553.09
Eric	\$163,491.41	\$ 417,056.10	\$ 342,931.29	\$ 923,478.81
Roland	\$163,491.41	\$ 417,056.10	\$ 342,931.29	\$ 923,478.81
Dave	\$163,491.41	\$ 417,056.10	\$ 342,931.29	\$ 923,478.81
Investor	\$245,261.65	\$ 625,646.71	\$ 514,448.38	\$1,385,356.75
	\$762,987.20	\$2,057,668.41	\$2,057,690.65	

**Anticipated Distributions assume Gross sales do not exceed 2011 sales of \$ 12,225,000.00

	2010	2011	2012	2013
Revenue				
Bottling	\$ 4,575,000.00	\$ 12,225,000.00	\$ 21,375,000.00	\$ 24,450,000.00
Fixed Contracts	\$ -	\$ -	\$ -	\$ -
3/5 Gal Distribution	\$ -	\$ -	\$ -	\$ -
Bulk Sales	\$ 54,750.00	\$ 109,500.00	\$ 109,500.00	\$ 109,500.00
Bottle Sales	\$ 447,125.00	\$ 821,250.00	\$ 985,500.00	\$ 1,231,875.00
Land Lease/Sales	\$ -	\$ -	\$ -	\$ -
Total	\$ 5,076,875.00	\$ 13,155,750.00	\$ 22,470,000.00	\$ 25,791,375.00
Expenses				
Employees				
Operations Manager	\$ 75,000.00	\$ 100,000.00	\$ 150,000.00	\$ 150,000.00
Plant Mngr	\$ 48,000.00	\$ 50,000.00	\$ 52,500.00	\$ 52,500.00
Sales Mngr	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00
Drivers	\$ 35,000.00	\$ 72,500.00	\$ 105,000.00	\$ 105,000.00
Plant/Dock	\$ 120,000.00	\$ 150,000.00	\$ 300,000.00	\$ 500,000.00
Support	\$ 60,000.00	\$ 92,500.00	\$ 97,500.00	\$ 97,500.00
Sales	\$ 60,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00
Commissions	\$ 253,843.75	\$ 657,787.50	\$ 1,123,500.00	\$ 1,289,568.75
Office/Misc	\$ 12,000.00	\$ 12,000.00	\$ 24,000.00	\$ 24,000.00
Marketing/Advertising	\$ 250,000.00	\$ 500,000.00	\$ 1,000,000.00	\$ 1,000,000.00
Utilities	\$ 72,000.00	\$ 96,000.00	\$ 96,000.00	\$ 96,000.00
Maintenance	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00
Freight Out	\$ 160,000.00	\$ 500,000.00	\$ 800,000.00	\$ 2,500,000.00
Lab/Testing/Permits	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
Property Taxes	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
Insurance	\$ -	\$ -	\$ -	\$ -
Miscellaneous*	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00
Total	\$ 1,570,843.75	\$ 2,745,787.50	\$ 4,263,500.00	\$ 6,329,568.75
Interest	\$ 3,506,031.25	\$ 10,409,962.50	\$ 18,206,500.00	\$ 19,461,806.25
Interest**	\$ 910,668.02	\$ 910,668.02	\$ 910,668.02	\$ 910,668.02
Capital Expenses	\$ -	\$ 2,500,000.00	\$ 1,000,000.00	\$ 2,500,000.00
Taxes	\$ 1,505,310.67	\$ 4,059,590.80	\$ 9,451,582.55	\$ 9,309,660.17
NOI	\$ 1,090,052.56	\$ 2,939,703.68	\$ 6,844,249.43	\$ 6,741,478.06
Equity Return 60% of NOI	\$ 654,031.53	\$ 1,334,379.00	\$ -	\$ -
Debt Reduction 30% NOI	\$ 327,015.77	\$ 881,911.10	\$ 2,053,274.83	\$ 2,022,443.42
Partner Distributions	\$ 109,005.26	\$ 723,413.58	\$ 4,790,974.60	\$ 4,719,034.64

* Misc Costs includes such items as vehicle repair, security, property maintenance, office supplies, postage, etc.

** Calculated at \$11,500,000 at 8% I/O

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Projected Partner Distributions

Equity Schedule

Profit Distributions

Pre-Operations

Initial Equity	\$	1,500,000.00
year one interest	\$	120,000.00
year two interest	\$	129,600.00
year three interest	\$	139,968.00

Year One Operations

Year three Equity	\$	1,889,568.00	
Equity Pay Out	\$	654,031.00	\$ 109,005.26

Year Two Operations

Year Four Equity	\$	1,235,537.00	
Year Four Interest	\$	98,842.96	
Equity Due	\$	1,334,379.96	
Final Equity Pay Out	\$	1,334,379.96	\$ 723,413.58

Total Paid to Partners

\$ 1,988,410.96
in equity

\$ 832,418.83
in profit

Projected

Partner Distributions

Equity and Profits

Per \$100K Invested

Per \$333K Invested

2008	\$	-			
2009	\$	-			
2010	\$	763,036.26	\$	49,052.33	\$ 163,491.41
2011	\$	2,057,793.54	\$	125,129.34	\$ 417,056.10
2012	\$	4,790,974.60	\$	239,548.73	\$ 798,415.92
2013	\$	4,719,034.64	\$	235,951.73	\$ 786,427.12
Totals	\$	12,330,839.04	\$	649,682.13	\$ 2,165,390.55

year III
return IV
V
VI

Anticipated

Partner Distributions

Equity and Profits

Per \$100K Invested

Per \$333K Invested

2008	\$	-			
2009	\$	-			
2010	\$	763,036.26	\$	49,052.33	\$ 163,491.41
2011	\$	2,057,793.54	\$	125,129.34	\$ 417,056.10
2012	\$	2,057,793.54	\$	102,889.68	\$ 342,931.29
2013	\$	2,057,793.54	\$	102,889.68	\$ 342,931.29
Totals	\$	6,936,416.87	\$	379,961.03	\$ 1,266,410.10

1 STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

2 COUNTY OF LEXINGTON

3 Regions Bank,

4 Plaintiff(s),

5 vs.

CIVIL ACTION NO.
09-CP-32-5373

6 WILLIAM S. OWENS, DAVID S.
7 HOSTETLER, ROLAND G. PADDY,
8 AND GREER STATE BANK,

9 Defendant(s).

COPY

10 DEPOSITION OF: MICHELE PADDY REFOSCO

11 DATE: Tuesday, August 3, 2010

12 TIME: 3:24 p.m. through 4:17 p.m.

13 LOCATION: Nexsen, Pruet
14 1101 Johnson Avenue, Suite 300
15 Myrtle Beach, South Carolina

16 TAKEN BY: Attorneys for the Plaintiff(s)

17 COURT REPORTER: MADONNA M. PERKINS
18 Registered Professional Reporter
19 Certified Livenote Reporter



STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075

392 Oak Moss Court, Murrells Inlet, SC 29576

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APPEARANCES OF COUNSEL

REPRESENTING THE PLAINTIFF:

NEXSEN, PRUET, LLC
BY: DAVID C. SLOUGH, ESQUIRE
1101 Johnson Avenue
Suite 300
Myrtle Beach, SC 29577
Office: (843) 213-5411
Fax: (843) 213-5407
E-mail: Dslough@nexsenpruet.com

REPRESENTING THE DEFENDANT OWENS:

HILLIARD LAW FIRM
BY: JOHN H. HILLIARD, III, ESQUIRE
408 Cleland Street
P.O. Box 658
Georgetown, SC 29442
Office: (843) 527-1500
Fax: (843) 527-1400
E-mail: Hilliardlawfirm@sccc.tv

-AND-

PAVILACK LAW FIRM
BY: CHEEVIN LEX GARDNER, ESQUIRE
603 N. Kings Highway
P.O. Box 2740
Myrtle Beach, SC 29578
Office: (843) 448-9471
Fax: (843) 626-0003

FOR THE DEFENDANT PADDY:

BARFIELD & JOHNSON
BY: W. WESLEY JOHNSON, JR., ESQUIRE
111 East Main Street, Suite D
Lexington, SC 29072
(803) 957-4000
E-mail: Main@barfieldjohnson.com

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INDEX

WITNESS	PAGE	LINE
MICHELE PADDY REFOSCO	4	8
EXAMINATION	PAGE	LINE
BY MR. SLOUGH	5	11
BY MR. GARDNER	23	5
BY MR. HILLIARD	31	19
CERTIFICATE OF REPORTER	44	1
VERIFICATION OF DEPONENT	45	1

REQUESTED INFORMATION INDEX

(No Information Requested)

E X H I B I T S

	PAGE	LINE
1 PLF. EXH. 1, Handwritten Note	13	19
2 entitled "700,00 loan by		
3 Regions Bank" with attached		
4 Regions Bank Info and Michele		
5 Paddy info		
6 PLF. EXH. 2, 6/16/2005 Letter	15	11
7 from Regions Banks Regarding		
8 Loan Commitment		
9 PLF. EXH. 3, Agreement to	16	2
10 Provide Insurance		
11 PLF. EXH. 4, Disbursement	16	13
12 Request and Authorization		
13 PLF. EXH. 5, Promissory Note	16	23
14 PLF. EXH. 6, Business Loan	17	25
15 Agreement		
16 PLF. EXH. 7, Notice from	18	15
17 Chicago Title		
18 PLF. EXH. 8, NBSC Account	20	10
19 Signer Identification Form and		
20 copy of Mr. Owens' driver's		
21 license		
22 PLF. EXH. 9, Business Loan	21	9
23 Application		
24		
25		

1 STIPULATION: It is stipulated by and
2 among Counsel that this deposition is being
3 taken in accordance with the South Carolina
4 Rules of Civil Procedure; and that the
5 deponent does not waive reading and signing
6 of this deposition.

7 * * * * *

8 MICHELE PADDY REFOSCO, being first duly
9 sworn, testified as follows:

10 EXAMINATION

11 BY MR. SLOUGH:

12 Q. Michele, my name is David Slough. And I'm
13 an attorney with Nexsen, Pruet, and I represent
14 Regions Bank in this foreclosure action filed
15 against Roland Paddy, David Hostetler and William
16 Owens. I'm going to be asking you some questions
17 today regarding your involvement in the closings.
18 I imagine if you have not had your deposition taken
19 before, you've at least been involved in
20 depositions, so --

21 A. (Moves head side to side.)

22 Q. Never? Okay. I was going to try not to go
23 through the ground rules, but I'll go through the
24 ground rules.

25 Of course, she is taking down everything

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STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075

03:24PM

03:24PM

03:24PM

1 that we say, so I'll ask you that when you give an
2 answer to please answer out loud, instead of giving
3 an "uh-huh" or an "unh-unh" or shaking your head,
4 because she can't take down information.

5 If at any point you don't understand my
6 question, ask me to rephrase it; I'll be glad to.
7 I don't think this is going to take very long, but
8 if you need to take a break, just let me know and
9 I'll be glad to do that.

10 Are you under -- are you taking any
11 medications that would impair your ability to
12 answer my questions today?

13 A. No, I'm not.

14 Q. What I want to do first is go through some
15 background information about you and then move into
16 the closings that you did. Tell me just
17 educational background from college forward.

18 A. I have two bachelor's degrees and my JD.

19 Q. And where are your bachelor's degrees from?

20 A. University of South Carolina.

21 Q. Okay. And when did you get your JD?

22 A. 2003.

23 Q. And have you practiced here in Myrtle Beach
24 since, I guess, 2003?

25 A. Uh-huh. Yes, I have.

03:24PM

03:24PM

03:25PM

03:25PM

03:25PM

1 Q. And have you always had your own practice or
2 did you practice with anyone else?

3 A. No, I've always had my own practice.

4 Q. And where is your practice located?

5 A. 5001 North Kings Highway, Suite 204, Myrtle
6 Beach, 29577.

03:25PM

7 Q. And is your practice primarily, mostly, all
8 real estate or --

9 A. 95 percent real estate; all transactional.

10 Q. And what's the other 5 percent?

03:26PM

11 A. Probate, wills, powers of attorney.

12 Q. And this action was filed in Lexington
13 County. And one of the Defendants has asked for a
14 jury trial. So I need to ask you, do you have any
15 relatives over the age of 18 in Lexington County?

03:26PM

16 A. No, I do not.

17 Q. Okay. And just for the record, you are
18 Roland Paddy's daughter; is that correct?

19 A. Yes, I am.

20 Q. And you have brought with you some documents
21 today regarding the transaction -- transactions
22 involving the property in Lexington County. And we
23 have used the term "the property" all through the
24 earlier depositions. But just so that we're clear,
25 when I talk about the "the property," I'm talking

03:26PM

03:27PM

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000547

1 about the 107-some acres in Lexington County.

2 A. 153 Love Lane in Batesburg.

3 Q. Exactly. Just so that we are clear, when I
4 say "the property," that's what I am talking about.
5 Is that okay with you?

03:27PM

6 A. Certainly.

7 Q. Okay. What I want to show you first is a
8 copy of a document that you brought today. It's a
9 copy of the Settlement Statement.

10 A. Uh-huh.

03:27PM

11 Q. And do you have your file over there?

12 A. I do not.

13 Q. Okay. And what I see listed, it looks like
14 the date of this closing was June 24, 2005. It
15 looks like it took place at 1800 Oak Street,
16 Suite B.

03:27PM

17 Was that your office at one time?

18 A. My original office, yes.

19 Q. The party location is the 153 Love Lane,
20 Batesburg.

03:27PM

21 The borrowers I see listed are Roland G.
22 Paddy, David S. Hostetler and William H. Owens.

23 Was this is a refinance or was this a
24 purchase? Because I don't see a seller listed.

25 A. This was a refinance.

03:28PM

1 Q. Okay.

2 A. The original purchase money mortgages were
3 paid off with this refinance.

4 Q. Was title transferred at this closing?

5 A. Title had already been transferred; that's
6 why it's a refinance.

7 Q. And who had it been transferred to?

8 A. Roland G. Paddy, David S. Hostetler and
9 William H. Owens.

10 Q. Let me show you what we marked earlier today
11 as Exhibit 1 to Mr. Owens deposition.

12 A. That appears to be the deed to this
13 property.

14 Q. Okay. Did you prepare that deed?

15 A. No, I did not. Mr. Moran out of --

16 Q. Pawleys Island?

17 A. That's not true. I did this one. Mr. Moran
18 did Miracle Wells to D&E. I did D&E to the three
19 of them.

20 Q. And do you know the process of how the
21 property was transferred from, I guess, Miracle
22 Wells to D&E to the three Defendants in this case?

23 A. A purchase transaction from Miracle Wells to
24 D&E, which is David Hostetler's company. And then
25 from D&E selling to Roland, David and Herman

03:28PM

03:28PM

03:28PM

03:29PM

03:29PM

1 individually.

2 Q. And when you say David Hostetler's company,
3 which company was his?

4 A. D&E of Myrtle Beach, LLC.

5 Q. Do you know if he had any involvement with
6 Miracle Wells?

7 A. Only that he purchased the property from
8 them.

9 Q. But you're not aware if he had any
10 membership in that LLC?

11 A. No, he didn't -- well, I have no knowledge
12 of that, but they live in separate towns; I've got
13 copies of his contract when he purchased.

14 Q. Okay. Do you know who are the members of
15 Miracle Wells?

16 A. Patricia Love was the landowner and -- let
17 me see if it's in here. Melvin Beaver was the
18 manager of Miracle Wells. He signed all the
19 documents on their behalf. Margaret Kneece,
20 K-n-e-e-c-e, is listed as the registered agent for
21 Miracle Wells in Myrtle Beach -- sorry, Murrells
22 Inlet. And Patricia Love, the owner of the
23 property, is also listed as a registered agent.

24 Q. And when you say "owner of the property" --

25 A. Patricia Love deeded into Miracle Wells who

1 deeded into D&E.

2 Q. That's what I was looking for.

3 . Okay.. And so if this is dated June 24,
4 2005, I'm still confused as to why this was not a
5 purchase, why Roland Paddy, David Hostetler and
6 William Owens were not, in fact, purchasing from
7 D&E of Myrtle Beach.

03:31PM

8 A. Because the deed was transferred over as a
9 Quit Claim Deed for \$10.

10 Q. Okay.

03:31PM

11 A. And then they refinanced as a group.

12 Q. Okay. Now, if you could, going through the
13 Settlement Statement, which --

14 MR. SLOUGH: Have we marked this?

15 (Off-the-record discussion.)

16 BY MR. SLOUGH:

17 Q. We have previously marked this as Exhibit 5B
18 to Mr. Paddy's deposition. It looks like the
19 settlement charges to borrower are \$454,843. Of
20 course, that comes from line 1400.

03:32PM

21 The additional settlement charges starting
22 at Line 1303, Patricia Love, what was the 340,000
23 for?

24 A. That was part of the purchase money for D&E.
25 She took a note back.

03:32PM

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000551

1 Q. And at 1304, the payoff of Miracle Wells?

2 A. Purchase money, took a note from D&E.

3 Q. And the payoff fee to Dennis James?

4 A. Some sort of negotiated settlement cost that
5 they had with a broker named Dennis James.

03:32PM

6 Q. And at Line 104, there's a payoff to NBSC.

7 A. Primary note for the purchase money.

8 Q. Okay. And that note was with NBSC. And who
9 was the borrower, do you know?

10 A. It would be in my disbursements
11 (indicating).

03:33PM

12 Q. Okay, here; I'll let you go through this
13 because you can go through it much quicker.

14 A. Assuming I kept a copy of the payoff
15 statement.

03:33PM

16 Q. Is this it? Is that the one you want?

17 A. I've got it.

18 Q. Okay.

19 A. It does not appear that I have a copy of the
20 payoff statement, but I would have to assume that
21 it was D&E of Myrtle Beach, LLC, from their
22 purchase.

03:33PM

23 MR. GARDNER: I'm sorry; can you say
24 that again?

25 THE DEPONENT: I would have to assume

03:34PM

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1 that David Hostetler or D&E of Myrtle Beach
2 was who borrowed the money to purchase the
3 property.

4 MR. GARDNER: Okay.

5 THE DEPONENT: I don't have a copy of
6 the payoff.

7 BY MR. SLOUGH:

8 Q. And then on down, we have balance held in
9 trust by you of 17,563.25?

10 A. Correct, used to disburse the first few
11 payments to Regions Bank, pay the insurance on the
12 property, pay costs of expenses to the seller,
13 David Hostetler -- or the partner, expenses that he
14 had had, payments to Regions -- that's David --
15 another payment to Regions, the first few payments
16 of the Regions Bank loan.

17 MR. SLOUGH: Let's go ahead and mark
18 this as Plaintiff's Exhibit 1.

19 (PLF. EXH. 1, Handwritten Note entitled
20 "700,00 loan by Regions Bank" with attached
21 Regions Bank Info and Michele Paddy info,
22 was marked for identification.)

23 BY MR. SLOUGH:

24 Q. And looks like from the Settlement Statement
25 that the principal amount of the loan was 700,000;

1 is that correct?

2 A. Yes, it is.

3 Q. Now, on the first page, there are three
4 signatures: Mr. Paddy, Mr. Hostetler and
5 Mr. Owens. Did all three of these individuals come
6 to your office to sign?

03:35PM

7 A. Yes, they did.

8 Q. And do you recall specifically that
9 Mr. Owens was present for this closing?

10 A. It was five years ago. I don't recall
11 specifically, but I know that they all three signed
12 all the documents all the way through. And I do
13 this for a living, so...

03:36PM

14 Q. And it is your practice that someone comes
15 to your office and signs documents in your
16 presence?

03:36PM

17 A. And I review them myself.

18 Q. So you have no reason to dispute that that's
19 Mr. Owens' signature?

20 A. I do not.

03:36PM

21 Q. And I'll show you on Page 3 of the
22 Settlement Statement, the signatures are there
23 again.

24 A. Correct.

25 Q. Once again, no reason for you to believe

03:36PM

1 that that's not Mr. Owens' signature?

2 A. No reason whatsoever.

3 Q. Or that he did not come to your office to
4 sign documents?

5 A. No, there's not.

03:36PM

6 MR. GARDNER: Could I see it?

7 (Tendered document.)

8 MR. SLOUGH:

9 Q. I'll show you what we will mark as
10 Exhibit 2.

03:37PM

11 (PLF. EXH. 2, 6/16/2005 Letter from
12 Regions Banks Regarding Loan Commitment, was
13 marked for identification.)

14 BY MR. SLOUGH:

15 Q. This looks like it's a letter from Regions
16 Bank to Mr. Paddy, Mr. Hostetler and Mr. Owens
17 regarding a commitment -- a loan commitment.

03:37PM

18 A. Yes, sir.

19 Q. If you'll see on Page 3, it looks like
20 there's a signature block.

03:37PM

21 A. It appears that all three of them signed it
22 at closing.

23 Q. And once again, no reason to believe that
24 that's not Mr. Owens' signature?

25 A. No.

03:37PM

1 MR. SLOUGH: Mark that.

2 (PLF. EXH. 3, Agreement to Provide
3 Insurance, was marked for identification.)

4 BY MR. SLOUGH:

5 Q. And here's what we've marked as Exhibit 3,
6 it looks like it's an agreement to provide
7 insurance. And, once again, it's signed by all
8 three individuals?

03:38PM

9 A. Yes, it is.

10 Q. Any reason to believe that is not their
11 signature?

03:38PM

12 A. No, there's not.

13 (PLF. EXH. 4, Disbursement Request and
14 Authorization, was marked for
15 identification.)

16 BY MR. SLOUGH:

17 Q. Here's Exhibit 4, which looks like a
18 Disbursement Request and Authorization. Once
19 again --

20 A. All three signatures are there, and there's
21 no reason for me to believe that they're not their
22 own signatures.

03:38PM

23 (PLF. EXH. 5, Promissory Note, was
24 marked for identification.)

25 BY MR. SLOUGH:

03:38PM

1 Q. And here is a copy of the Promissory Note.
2 And what's the date of that note?

3 A. Date of that note is 6/24/2005.

4 Q. And that's with Regions Bank?

5 A. Correct.

03:39PM

6 Q. And it is signed by Mr. Paddy, Mr. Owens,
7 Mr. Hostetler?

8 A. Yes, it is.

9 Q. Any reason to believe that's not their
10 signature?

03:39PM

11 A. No, there's not.

12 Q. We had previously marked as Exhibit 3 to
13 Mr. Owens' deposition a copy of the mortgage. The
14 reason I give you that one is that one has,
15 obviously, been recorded.

03:39PM

16 And my question is, I guess in the second to
17 last page, is that all --

18 A. Mr. Paddy, Mr. Owens, Mr. Hostetler signed
19 it. It is witnessed by myself and my assistant and
20 notarized by me.

03:40PM

21 Q. And you certainly would not have witnessed
22 and notarized unless Mr. Owens was in your presence
23 to sign the document; is that correct?

24 A. Yes, that is correct.

25 (PLF. EXH. 6, Business Loan Agreement,

03:40PM

1 was marked for identification.)

2 BY MR. SLOUGH:

3 Q. Let me show you what we have marked as
4 Exhibit Number 6. That appears to be the Business
5 Loan Agreement. And the last page, I believe, is a
6 signature page?

03:40PM

7 A. Correct.

8 Q. Signed by all three individuals or all three
9 Defendants?

10 A. Signed by all three parties. And I have no
11 reason to believe that they are not their
12 signatures.

03:41PM

13 Q. Okay. And here is a -- well, let's go ahead
14 and mark it.

15 (PLF. EXH. 7, Notice from Chicago
16 Title, was marked for identification.)

03:41PM

17 BY MR. SLOUGH:

18 Q. Here's a notice from Chicago Title as well
19 as, I guess, your agency being an agent for Chicago
20 Title?

03:41PM

21 A. Correct.

22 Q. Looks like it's signed by all three
23 individuals?

24 A. Yes, it is.

25 Q. Any reason to believe that that's not their

03:41PM

1 signature?

2 A. No, there's not.

3 Question. You have individual requests for
4 loans. They're signed by each of the men
5 individually. Why are they not being introduced
6 into evidence?

03:42PM

7 Q. I can certainly introduce. I was just going
8 through the documents that I knew that all three
9 had signed at one time. One of the other attorneys
10 may want to introduce those. I was just trying to
11 expedite and get through all the information so we
12 don't have to keep you any longer than necessary.

03:42PM

13 A. There won't be any further signed documents
14 past there.

15 Q. Now, I believe at some point there were
16 additional transactions that took place involving
17 this property. I believe the next transaction
18 involved Greer State Bank; is that right?

03:42PM

19 A. That is correct.

20 Q. And let me show you what we have marked as
21 Exhibit 4 to Mr. Owens' deposition and see if you
22 can take a look at that.

03:43PM

23 A. Real estate mortgage, signed by all three
24 parties, signed -- they appear to be their own
25 signatures. David McPhail, who was sharing my

03:43PM

1 office suite, as witness, and myself as witness;
2 myself as notary.

3 Q. And, of course, you would not have witnessed
4 or notarized had they not been in your presence to
5 sign these documents?

03:43PM

6 A. Correct. The rest of the documents would
7 only have my father's signature on them.

8 Q. Let me -- see if I can show you this. Let's
9 get this marked.

10 (PLF. EXH. 8, NBSC Account Signer
11 Identification Form and copy of Mr. Owens'
12 driver's license, was marked for
13 identification.)

14 BY MR. SLOUGH:

15 Q. I'll show you what we've marked as Exhibit
16 8, if you can tell me what that is.

03:44PM

17 A. That would be a copy of Mr. Owens' driver's
18 license and the filled-out Account Signer
19 Identification Form.

20 MR. GARDNER: Can I see that, please?

03:44PM

21 (Tendered document.)

22 BY MR. SLOUGH:

23 Q. And that says NBSC at the top. I thought
24 the loan was with Greer State Bank.

25 A. The loan was with Greer State Bank.

03:45PM

1 Q. Okay. Why would there have been an NBSC
2 document?

3 A. Not a clue.

4 Q. Now, moving on to the next transaction, I
5 believe that would have been the mortgage
6 modification.

03:45PM

7 A. Correct.

8 MR. SLOUGH: Mark this.

9 (PLF. EXH. 9, Business Loan

10 Application, was marked for identification.)

11 BY MR. SLOUGH:

12 Q. This looks like a Business Loan Application.

13 A. Correct.

14 Q. Is that signed by --

15 A. Signed by my father as Power of Attorney;
16 signed incorrectly by my father as Power of
17 Attorney. Copies of Powers of Attorney are in that
18 stack (indicating).

03:46PM

19 Q. So he would have signed --

20 A. All three names.

03:46PM

21 Q. Okay.

22 MR. GARDNER: May I see that, please?

23 MR. SLOUGH: (Tendered document.)

24 BY MR. SLOUGH:

25 Q. All right. Let me show you what we have

03:46PM

1 marked as Exhibit 5.

2 A. Okay.

3 Q. Is that the Power of Attorney you were --

4 A. Power of Attorney I prepared for Mr. Owens,
5 signed by Mr. Owens and notarized by me.

03:47PM

6 Q. And this would relate to this mortgage
7 modification; is that correct?

8 A. Yes. Settlement Statement, deed
9 disbursement authorization, closing documents --
10 oh, this is supposed to be for the sale, but that's
11 what we used for the Power of Attorney. That's
12 what we sent in to Regions.

03:47PM

13 Q. Okay.

14 (Off-the-record conference.)

15 BY MR. SLOUGH:

03:48PM

16 Q. Let me show you what we have marked as
17 Exhibit 7 to Mr. Owens' deposition.

18 A. Uh-huh.

19 Q. If you could take a look at that.

20 A. My father signing as Power of Attorney for
21 all three parties.

03:49PM

22 Q. Okay. Based on the Power of Attorney that
23 we've just marked as -- that was marked in
24 Mr. Owens' deposition?

25 A. Correct.

03:49PM

1 MR. SLOUGH: I believe those are all
2 the questions I have right now.

3 THE DEPONENT: Okay.

4 EXAMINATION

5 BY MR. GARDNER:

6 Q. My name is Lex Gardner, and I represent
7 Mr. Owens. Do you recognize him?

8 A. Of course.

9 Q. You have met him before?

10 A. Many times.

11 Q. Oh, okay. In social situations?

12 A. I used to work for my father's construction
13 company --

14 Q. Okay.

15 A. -- and we used Owens Steel as a vendor.

16 Q. So you have been to his business at Owens
17 Steel?

18 A. Yes.

19 Q. Okay. Before you became an attorney?

20 A. Yes.

21 Q. Do you understand the inner working of the
22 arrangement between Hostetler, your father and
23 Mr. Owens?

24 A. Not necessarily.

25 Q. Okay.

03:50PM

03:50PM

03:50PM

03:50PM

03:50PM

1 A. I was there to represent them in closing the
2 loan.

3 Q. Okay.

4 A. Transferring the title.

5 Q. Did you draft a Promissory Note that was,
6 you know, perpetuated from 2004-2005?

03:50PM

7 A. Which Promissory Note are you speaking of?

8 Q. I'll bring that to you -- do you have the
9 Promissory Note that we had?

10 MR. SLOUGH: I think they're right
11 there. Here's the other one (indicating).

03:51PM

12 BY MR. GARDNER:

13 Q. In 2004-2005, they were from Mr. Hostetler
14 to Mr. Paddy and Mr. Owens?

15 A. This one (indicating)?

03:51PM

16 Q. Yes.

17 A. No, I did not.

18 Q. You did not perform those?

19 A. It's not my format.

20 Q. Okay. So basically all you did was closing?

03:51PM

21 A. This I did prepare (indicating).

22 This and this I did not prepare
23 (indicating).

24 Q. Okay.

25 A. And I checked with Mr. Moran in Pawleys

03:51PM

1 Island, as I believe he was representing
2 Mr. Hostetler with Miracle Wells.

3 Q. Okay. Do you have any business reason, or
4 know of business reason why Mr. Hostetler would
5 take back \$200,000 from your father and Mr. Owens
6 to the Miracle Wells, LLC on the closing date of
7 June 24th, 2006?

03:52PM

8 A. To pay off part of the mortgage money. 2006
9 or 2005?

10 Q. It says, "Being paid on June 24, 2006." I
11 think I'm reading the right section.

03:52PM

12 A. Must be part of the mortgage -- I mean, part
13 of the purchase money if it was to Miracle Wells.

14 Q. Okay. So Mr. --

15 A. That was a one-year note.

03:53PM

16 Q. Mr. Hostetler never paid off Patricia Love,
17 right?

18 A. It was paid off with funds from Regions
19 Bank, \$340,000.

20 Q. Okay. See, I'm a little confused, because I
21 thought he purchased Miracle Wells from Muffy
22 Beaver and Mel Beaver --

03:53PM

23 A. Uh-huh.

24 Q. Okay. And Mel Beaver actually bought it
25 from Patricia Love. So was the lien survived that

03:53PM

1 closing?

2 A. He must have -- what's the word I'm looking
3 for? -- assumed the debt when he purchased it from
4 Miracle Wells.

5 Q. Okay. Mr. Hostetler did?

03:53PM

6 A. Must have.

7 Q. Okay.

8 A. I didn't represent him in that closing.

9 Q. I got you. And Mr. Moran did?

10 A. (Moves head up and down.)

03:53PM

11 Q. Okay. Now, did you draw this up? I believe
12 Mr. Paddy, your father, said he gave that to
13 Mr. Owens in --

14 A. I did not draw it up. His secretary must
15 have drawn it up.

03:54PM

16 Q. Okay. I'm missing the note. This Limited
17 Power of Attorney only gave Mr. Paddy a limited
18 power to make a sale of the property and not to
19 make a loan.

20 Would you say that Mr. Paddy has extended,
21 overreached his Power of Attorney?

03:54PM

22 A. I would say that it was not a new loan; it
23 was an extension of time and a reduction in the
24 principle amount on the original Regions mortgage,
25 which worked to the advantage of all parties. If

03:54PM

1 there was a scrivener's error in the Limited Power
2 of Attorney, then that would be my scrivener's
3 error.

4 Q. Okay. So, unfortunately, you made that?

5 A. I made that Limited Power of Attorney, yes,
6 I did.

7 Q. Okay. I think we understand Patricia Love,
8 on the HUD statement, saying that he,
9 Mr. Hostetler, may have assumed the lien.

10 How about Miracle Wells, \$103,600? Do you
11 know of any business reason that was given to
12 Miracle Wells?

13 A. To pay off the purchase money notes.

14 Q. Purchase money notes, okay.

15 How about the trust that was held by you in
16 your trust for \$17,563?

17 A. Those documents are in there, what they were
18 paid for. You've already looked at them. It was
19 the first few payments to Regions Bank and payments
20 to Allstate Insurance, and it was also paid to
21 Mr. Hostetler for expenses on maintaining the
22 property.

23 Q. So it was a business expense?

24 A. Yes.

25 Q. Okay. And it was initiated by Mr. Paddy?

03:55PM

03:55PM

03:55PM

03:56PM

03:56PM

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000567

1 A. It was a part of the original closing to
2 make sure that they had funds to pay the first few
3 payments to Regions Bank.

4 Q. Okay. Who did you represent on June 24th,
5 2005 --

03:56PM

6 A. I represented --

7 Q. -- at the closing?

8 A. -- the borrowers: Owens, Hostetler and
9 Paddy.

10 Q. Did you contact Mr. Paddy beforehand?

03:56PM

11 A. I'm sorry; I don't understand the question.

12 Q. Did you contact Mr. Paddy beforehand?

13 A. Before the closing?

14 Q. Right.

15 A. Of course.

03:56PM

16 Q. Okay. So you talked to him and tell him
17 what's going on?

18 A. Correct.

19 Q. Okay. Did you happen to have a retainer
20 agreement?

03:57PM

21 A. With my father? No.

22 Q. No, with Mr. Owens.

23 A. No.

24 Q. Okay.

25 A. Your question was Mr. Paddy before, right?

03:57PM

1 Q. I'm sorry, Mr. Owens.

2 A. Mr. Owens, no. I probably didn't talk to
3 him. My father probably arranged for him to come
4 to the office.

5 Q. Okay. Did you represent the bank, Regions
6 Bank?

03:57PM

7 A. Was I paid by Regions Bank? No. Did I make
8 sure their documents got signed correctly? Yes.

9 Q. Okay. As an attorney, would you say you
10 have a duality of representation?

03:57PM

11 A. No. I don't prepare their documents; I
12 simply follow their instructions.

13 Q. Okay. Did the -- Mr. Hostetler or Mr. Paddy
14 ever approach you to form some sort of formal
15 business entity?

03:58PM

16 A. Not that I recall.

17 Q. Okay. Did you ever advise of that, to do a
18 business -- to form a business entity might be a
19 little negligent?

20 A. No, I did not. Are you suggesting I should
21 have?

03:58PM

22 Q. No, I'm not saying you have a duty. But,
23 you know, it seems like they put in a lot of money
24 and didn't form a business entity.

25 Should you have? Did he ask you for advice?

03:58PM

1 A. He didn't ask me.

2 Q. Okay. I know how that is. My mother never
3 asks me for any.

4 You said you saw Mr. Owens sign the loan
5 document. Did he seem to understand what he was
6 signing?

03:59PM

7 A. Well, if I had thought that he hadn't
8 understood them, I wouldn't have allowed him to
9 sign, but I don't recall the exact day and sitting
10 there at the table.

03:59PM

11 Q. Okay. You don't have a photographic memory?

12 A. Not five years ago.

13 Q. Okay. Just to be clear, so it is your
14 testimony today that Mr. Owens, Mr. Hostetler,
15 Ms. Jill Sowers -- is she your assistant?

04:00PM

16 A. She is.

17 Q. She was there at the closing?

18 A. She is -- was.

19 Q. And at the HUD that occurred on June 24,
20 2005?

04:00PM

21 A. Correct.

22 Q. Who is Saul Craig and Hugh Hostetler? Are
23 they the extra investors in the group?

24 A. I have never heard of Saul Craig or Hugh
25 Hostetler.

04:00PM

1 Q. Okay. And you never represented Miracle
2 Wells, LLC or your dad?

3 A. No. I've represented my father, but I've
4 never represented Miracle Wells, LLC.

5 Q. Okay. You do represent your dad, your
6 father, in dealing with Miracle Wells, LLC?

04:01PM

7 A. I represented him in taking title to this
8 property from D&E of Myrtle Beach, LLC, which is
9 David Hostetler, and doing a loan closing for him,
10 doing two loan closings and one mortgage
11 modification.

04:01PM

12 Q. Okay.

13 A. As far as the Miracle Wells, LLC, that was
14 already negotiated and brought to me after.

15 Q. Okay.

04:01PM

16 MR. HILLIARD: I have a few questions.

17 THE DEPONENT: Okay.

18 EXAMINATION

19 BY MR. HILLIARD:

20 Q. The Miracle Wells, LLC that was brought to
21 you after, can you expand on that a little bit for
22 me? What do you mean by the Miracle Wells -- is
23 that what you said? Did I hear that correctly?

04:01PM

24 A. The deal -- the purchase from Miracle Wells
25 through David into Roland and Herman and David was

04:02PM

1 already negotiated before they came to me. They
2 came to me to arrange the loan closing, only.

3 Q. When you say "they," that was your dad that
4 came to you and told you about the deal?

5 A. Correct.

04:02PM

6 Q. And when did that happen?

7 A. I would venture a guess, sometime in the
8 month before June 24, 2005.

9 Q. So your recollection is that sometime in the
10 month before June 24, 2005 is your first knowledge
11 about this --

04:02PM

12 A. Yes.

13 Q. -- deal? Is that --

14 A. That is correct.

15 Q. Who decided how much money to borrow on the
16 \$700,000 -- give or take -- loan originally?

04:02PM

17 A. Who decided how much?

18 Q. Right.

19 A. I imagine that they negotiated the most
20 money they could borrow against the appraised value
21 of the property, but I was not involved in that.

04:03PM

22 Q. So you didn't have any involvement in that
23 part of it?

24 A. In choosing the loan amount? No.

25 Q. Or in choosing the lender?

04:03PM

1 A. No. I had no contact with Regions. I would
2 not have chosen Regions.

3 Q. So they brought that -- or your dad -- was
4 your dad -- your point of contact with this group
5 of people was your dad; is that fair to say?

04:03PM

6 A. Yes. And the title order would have come
7 directly from Regions, telling me what the loan
8 amount was and perform a title search and write a
9 title commitment and proceed to closing.

10 Q. How many times would you say you had met
11 Mr. Owens prior to any legal dealings with him?

04:04PM

12 A. As a contractor -- I worked for my father
13 for five years. He used Owens Steel almost
14 exclusively during that time -- ten, 12, 14 times.

15 Q. And in what context? Would you have gone to
16 his business or would he --

04:04PM

17 A. I would have gone to his business to order
18 or pick up or pay for whatever products we were
19 using in his business -- in our business from him.

20 Q. And you would have seen him in that context?

04:04PM

21 A. Yes.

22 Q. How many times would you say he's been to
23 your office?

24 A. Well, at least two. He's never been to my
25 office for anything other than these deals. I'm

04:04PM

1 not his regular attorney.

2 Q. It is impossible that your father could have
3 carried these documents to Mr. Owens at his place
4 of business?

5 A. Yes, it is impossible. He may have carried
6 contracts, he may have carried other things, but he
7 did not carry loan documents.

04:05PM

8 Q. Did you rely on your father to tell
9 Mr. Owens what the loan was about? I think you
10 said that. Is that correct?

04:05PM

11 A. Yes.

12 Q. So Mr. Owens' only purpose at your office
13 was to sign the papers?

14 A. Correct.

15 Q. And you would not have undertaken to explain
16 to him something that your father had already
17 explained?

04:05PM

18 A. If he was signing documents for a \$700,000
19 loan -- he is a sophisticated borrower and
20 businessman -- I have no reason to believe that he
21 didn't know what he was signing.

04:05PM

22 Q. Who instructed you on how to disburse the
23 funds from the loan?

24 A. How do you mean, instructed me how to
25 disburse?

04:06PM

1 Q. The money to Ms. Love, who instructed you to
2 pay her money?

3 A. There were mortgages against the property.
4 The mortgages have to be paid to clear the title
5 and write title insurance. I got the instructions
6 on how much to pay to her from her attorney, Robert
7 Moran in Pawleys Island. Same with Miracle Wells.
8 NBSC, I would have gotten that payoff directly from
9 the bank.

04:06PM

10 Q. So who would have -- or would there have
11 been a confirmation provided to you that, in fact,
12 those indebtednesses had been satisfied by your
13 payments?

04:06PM

14 A. I have the evidence of what they told me --
15 well, I had the evidence of what they told me to
16 pay. They accepted the checks, and the mortgages
17 were cancelled.

04:06PM

18 Q. That's my question, is do you have documents
19 to show that the mortgages are cancelled?

20 A. One, yes. One, I had to cancel myself under
21 an attorney satisfaction.

04:07PM

22 Q. Explain to me what that means.

23 A. An attorney satisfaction, by South Carolina
24 law, when you have evidence of how much you're
25 instructed to send, the check or wire is

04:07PM

1 negotiated, then you can cancel the mortgage
2 yourself as satisfied because you've paid it off.

3 Q. Which mortgage was that?

4 A. That was the Patricia Love mortgage.

5 Q. And that mortgage had been filed where?

04:07PM

6 A. Lexington County.

7 Q. And that was in favor of Patricia Love?

8 A. Correct.

9 Q. And the other mortgage, the NBSC mortgage,
10 that was the one that was satisfied by who, or
11 cancelled?

04:07PM

12 A. By the bank itself.

13 Q. And you don't know who that mortgage was in
14 favor of?

15 A. It was in favor of NBSC.

04:08PM

16 Q. Well, who the borrower was?

17 A. Not off the top of my head.

18 MR. GARDNER: Just a quick question.

19 MR. HILLIARD: Ask me.

20 *(Off-the-record conference.)*

21 BY MR. HILLIARD:

22 Q. The payment that was made to Miracle Wells,
23 was that -- was there a lien connected to that or a
24 mortgage or some other --

25 A. I don't recall off the top of my head. If

04:08PM

1 you give me my title commitment out of those
2 documents, I can tell you.

3 MR. SLOUGH: (Tendered document.)

4 THE DEPONENT: Is the title commitment
5 in there?

04:09PM

6 MR. SLOUGH: I think this is.

7 THE DEPONENT: That's the policy
8 jacket.

9 MR. SLOUGH: I don't see it in here.

10 THE DEPONENT: I would have to go back
11 to my title search from the original
12 transfer. And I do not have it here. That
13 was not one of the documents that I was told
14 to bring in.

04:09PM

15 MR. HILLIARD:

04:09PM

16 Q. David Hostetler bought Miracle Wells; is
17 that correct?

18 A. Yes, to my recollection, David Hostetler
19 bought Miracle Wells.

20 Q. And he also was D&E?

04:10PM

21 A. Correct. Well, I guess it would be correct
22 to say that D&E of Myrtle Beach, LLC, owned by
23 David Hostetler, was the purchaser from Miracle
24 Wells, LLC.

25 Q. But he was both of -- ultimately, he was

04:10PM

1 both of those entities.

2 A. Correct.

3 Q. Let me show you Exhibit Number 9 from
4 Mr. Owens' deposition, which are checks made out to
5 Michele Paddy Trust Account, and see if you
6 recollect those checks.

04:10PM

7 A. Yes.

8 Q. And those checks were from Mr. Owens to your
9 dad; is that --

10 A. To my trust account in his investment in
11 this project. And I believe that would explain why
12 Mr. Hostetler signed promissory notes to Mr. Owens.

04:10PM

13 Q. When that money was disbursed from your
14 account, where did it go?

15 A. Robert Moran's office, some of it.

04:11PM

16 Q. For what purpose?

17 A. To pay off the purchase money. Miracle
18 Wells sold to D&E, all seller financed; Patricia
19 Love, Miracle Wells, LLC and NBSC. NBSC could have
20 been David or it could have been Patricia; I don't
21 know. Either he assumed one mortgage and took on
22 two seller mortgages, and then D&E transferred to
23 these three men. They borrowed the \$700,000, plus
24 their own cash investment, to purchase it to pay
25 off those three loans, then they're the landowners.

04:11PM

04:11PM

1 Follow?

2 Q. I'm not sure that I do, but I don't know
3 that that's your fault that I don't follow.

4 Do you have an understanding of how much
5 money -- well, let me ask this question. In the
6 beginning, on this piece of land, was Patricia Love
7 the original owner of the land at the point in time
8 that all this started happening?

04:12PM

9 A. Not to my knowledge. Miracle Wells, LLC, of
10 whom Patricia Love is a member, was the owner when
11 they first came to my attention.

04:12PM

12 Q. Okay. Based on what you know about it,
13 would it make sense to you if I said that Patricia
14 Love owned that Lexington property, and it was part
15 of -- the idea about the bottling company and the
16 fancy water -- was part of Muffy Kneece and Mel
17 Beaver, and that Patricia Love was the one that had
18 the land, and they had part of the idea, and they
19 went in and put some of this stuff together to
20 create the Miracle Wells.

04:12PM

21 Would that make sense to you based on what
22 you know about it?

23 A. What little I know about it? Yes. But how
24 is that relevant to this foreclosure action?

25 Q. I'm just trying to figure out what happened.

04:13PM

04:13PM

1 And so Hostetler comes in. And is he buying
2 that from them? Is that what's happening?

3 A. Correct.

4 Q. So Hostetler is buying it from them. And is
5 it at that point that your dad and Mr. Owens come
6 in with their \$200,000?

04:13PM

7 A. Correct.

8 Q. So they throw \$200,000 over to Hostetler,
9 and he does something with it connected to Miracle
10 Wells and Patricia Love and that group. Is that
11 kind of what you're thinking?

04:13PM

12 A. Yes.

13 Q. And then -- but that's not enough. So they
14 are hunting more money, or Hostetler is hunting
15 more money at that point; is that right?

04:14PM

16 A. I imagine.

17 Have you deposed Mr. Hostetler?

18 Q. I have not. I'm just trying to get your
19 information.

20 Do you know any more about it than that?

04:14PM

21 A. I have a copy of his original contract,
22 Contract of Sale, Robert J. Moran, PA, handling,
23 from Miracle Wells, LLC to David Hostetler.

24 Q. Who is Miracle Wells, LLC at that point?

25 A. At this point, it's an LLC with a Contract

04:14PM

1 of Sale to sell the property.

2 Q. Right. But who are the people, the
3 principals?

4 A. It is signed by Melvin Beaver as manager.

5 Q. But you don't know who the individuals are
6 that are involved in it?

7 A. I do not have the Articles of Incorporation.
8 I did not handle this part of the transaction.

9 Q. Okay.

10 A. I have photocopies of it for historical
11 purposes.

12 Q. Fair enough.

13 MR. GARDNER: At your office?

14 THE DEPONENT: I'm sorry?

15 MR. GARDNER: You say you have a copy
16 of it at your office?

17 THE DEPONENT: (Indicating).

18 MR. GARDNER: Oh, just that, just a
19 contract?

20 THE DEPONENT: Yes.

21 BY MR. HILLIARD:

22 Q. Exhibit 8 from your deposition is an NBSC
23 Account Signer Identification Form.

24 A. Correct.

25 Q. Help me understand what that is.

04:14PM

04:14PM

04:14PM

04:15PM

04:15PM

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000581

1 A. According to the Patriot's Act, when someone
2 opens an account, we are required to get a photo ID
3 and fill in their information. I don't know why
4 it's an NBSC form. I don't know if it's an NBSC
5 form because that's what I was sent from Greer, or
6 if it's an NBSC form because that's what I used to
7 write in the information.

04:15PM

8 Q. Okay.

9 A. I might have had a blank at my office and
10 just needed something because the copy was not
11 good, legible.

04:15PM

12 Q. To open an account?

13 A. A mortgage loan is considered a bank
14 account.

15 Q. Okay.

04:16PM

16 A. Therefore, by Patriot Act rules, we are
17 required to identify the borrowers to make sure
18 they're not money launderers or known terrorists.

19 Q. So who would have filled out that form?

20 A. It appears that it's a mix of my writing and
21 my father's writing. Perhaps he was sitting at the
22 table with me and just helping me fill out the
23 paperwork.

04:16PM

24 Q. So the document that we're talking about is
25 Exhibit 8, and that appears to you to be a mix of

04:16PM

1 yours and your father's handwriting?

2 A. Correct.

3 MR. HILLIARD: Thank you, ma'am.

4 MR. GARDNER: Thanks for coming.

5 DEPONENT: Okay.

04:17PM

6 MR. JOHNSON: I don't have any.

7 MR. SLOUGH: That's it.

8 (The deposition concluded at 4:17 p.m.)

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STENOGRAPHIC REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000583

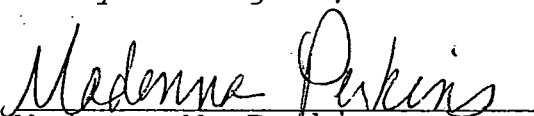
1 CERTIFICATE OF REPORTER

2 I, Madonna M. Perkins, Registered
3 Professional Reporter and Notary Public in and for
4 the State of South Carolina, do hereby certify that
5 the deponent, Michele Paddy Refosco, was duly sworn
6 by me to testify to the truth, and that the above
7 deposition, Pages 1 through 43, inclusive, was
8 recorded stenographically by me and transcribed
9 through computer-aided transcription by me to the
10 best of my ability.

11 I FURTHER CERTIFY that the foregoing
12 transcript is a true and correct transcript of the
13 testimony given by the said witness at the time and
14 place specified.

15 I FURTHER CERTIFY that I am neither attorney
16 or counsel for, nor related to or employed by any
17 of the parties to the action in which this
18 deposition is taken, or financially interested in
19 this action.

20 IN WITNESS WHEREOF, I have set my hand and
21 seal this 8th day of August, 2010.

22 

23 Madonna M. Perkins
24 Registered Professional Reporter
25 Notary Public
My commission expires
September 19, 2015

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000584

1 VERIFICATION OF DEPONENT

2 **CASE: REGIONS BANK vs. OWENS**

3 I, MICHELE PADDY REFOSCO, have read the
4 foregoing deposition consisting of 44 pages, which
5 was reported by Madonna M. Perkins, Registered
6 Professional Reporter and notary public in and for
7 the State of South Carolina, on August 3, 2010.

8 I find the transcript of this deposition to
9 be a true and accurate transcript according to my
10 testimony on that date with the exception of _____
11 corrections as listed on the attached correction
12 sheet, which was filled in by me.

13
14
15
16
17
18
19
20
21 _____
22 Michele Paddy Refosco

23
24 _____, 2010
25

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000585

ERRATA PAGE

PAGE # - LINE # CHANGE AND/OR CORRECTION
(AND EXPLANATION)

5			
6			
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13			
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18			

THE ABOVE CHANGES WERE NOTED BY ME ON THIS ERRATA PAGE BEFORE SIGNING THE ATTACHED VERIFICATION OF DEPONENT. I HAVE RETAINED A COPY OF THIS ERRATA PAGE FOR MY RECORDS, AND THE COURT REPORTER IS TO ATTACH THIS PAGE AND MY VERIFICATION TO THE ORIGINAL TRANSCRIPT.

DATED: _____ Michele Paddy Refosco

STENOTYPE REPORTING SERVICE, LLC

Madonna Perkins, RPR *** (843) 685-0075
392 Oak Moss Court, Murrells Inlet, SC 29576

000586

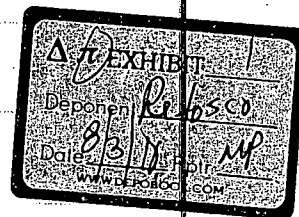
700,000 - loan by Regim bank

Escrow w/ Michele	17,563.25
Michele paid - David for Misc. bills	2,519.91
" " insurance 1 year	1,002.25
" " August mortgage payment	6,349.61
Escrow balance	76,911.47

Michele paid Sept. mortgage payment	6,349.61
Balance -	13,411.86

10/5/05 - Roland ck.	5,100.00
	6,441.86

Oct 8 th payment	6,349.61
Balance in escrow	922.25



4:31 PM

09/01/05

Accrual Basis

Michele Paddy, Attorney at Law
Custom Transaction Detail Report
June 1 through September 5, 2005

Type	Date	Num	Source Name	Memo	Amount	Balance
Jun 1 - Sep 5, 05						
Check	6/30/2005	524	David S. Hostetler	expenses at ...	2,519.92	2,519.92
Deposit	6/30/2005			Deposit	-17,563.25	-15,043.33
Check	7/19/2005	525	Allstate Insurance - ...	hazard insura...	1,002.25	-14,041.08
Check	8/3/2005	526	Regions Commerci...	203-1479288...	6,349.61	-7,691.47
Check	9/1/2005	527	Regions Commerci...	203-1479288...	6,349.61	-1,341.86
Jun 1 - Sep 5, 05					-1,341.86	-1,341.86



Commercial Billing Statement

Page 1 of 1

COMING DUE NOTICE

ROLAND G PADDY
DAVID S HOSTETLER
WILLIAM H OWENS
~~700-500-1000~~
MYRTLE BEACH SC 29577

PAYMENT INFORMATION	
Principal Due	2,131.65
Interest Due	4,217.96
Total Amount Due	\$6,349.61

ACCOUNT NUMBER	INTEREST RATE	PRINCIPAL BALANCE	MATURITY DATE	BILLING DATE	DUE DATE
~~000000000000~~ 9001	7.00000	699,775.39	07/08/2007	08/23/2005	09/08/2005

107.11 ACRES, 153 LOVE LANE, BATESBURG, SC 29006

For questions regarding your statement call Regions Bank at 888-755-3433

Please disregard this statement if payment has already been made

COMMERCIAL LOAN

000589

MICHELE PADDY, ATTORNEY • ESCROW ACCOUNT
Regions Commercial Loans
Escrow

527

9/1/2005

6,349.61

ESC-Beach 11013117 ~~803-1479288~~ 9001

6,349.61

13272

www.checkafreesa.com 800-245-5775 Order # 420447-1

000590

11:01 AM

08/03/05

Accrual Basis

Michele Paddy, Attorney at Law
Customer Balance Detail
 As of August 5, 2005

Type	Date	Num	Account	Amount	Balance
Paddy-Son Devt					0.00
Miracle Wells					0.00
Check	6/30/2005	524	Escrow - David	2,519.92	2,519.92
Deposit	6/30/2005		Escrow	-17,563.25	-15,043.33
Check	7/19/2005	525	Escrow insurance	1,002.25	-14,041.08
Check	8/3/2005	526	Escrow delinquent payment	6,349.61	-7,691.47
Total Miracle Wells				-7,691.47	-7,691.47
Total Paddy-Son Devt				-7,691.47	-7,691.47
TOTAL				-7,691.47	-7,691.47

MICHELE PADDY, ATTORNEY • ESCROW ACCOUNT

Regions Commercial Loans
Escrow

526

8/3/2005

6,349.61

ESC-Beach 11013117 ~~203-1479288~~ 9001

6,349.61

13272

www.checksforless.com 800-245-5775 Order # 420447-1

600592



Commercial Billing Statement

COMING DUE NOTICE

ROLAND G PADDY
DAVID S HOSTETLER
WILLIAM H OWENS
~~723 8TH AVE N~~
MYRTLE BEACH SC 29577

Page 1 of 1

PAYMENT INFORMATION	
Principal Due	224.61
Interest Due	6,125.00
Total Amount Due	\$6,349.61

ACCOUNT NUMBER	INTEREST RATE	PRINCIPAL BALANCE	MATURITY DATE	BILLING DATE	DUE DATE
~~807-1679200~~ 9001	7.00000	700,000.00	07/08/2007	07/22/2005	08/08/2005

107.11 ACRES, 153 LOVE LANE, BATESBURG, SC 29006

For questions regarding your statement call Regions Bank at 866-755-3433

Please disregard this statement if payment has already been made.

000593



June 16, 2005

Mr. Roland Paddy
Mr. David Hostetler
Mr. William Owens
[REDACTED]
Myrtle Beach, SC 29577

Dear Sirs:

Regions Bank ("Bank") is pleased to provide you with this Commitment ("Commitment") to finance the purchase of land and improvements located at 153 Love Lane, Batesburg, South Carolina.

BORROWERS: Roland Paddy, David Hostetler, William Owens.

LOAN AMOUNT: \$700,000.00

DISBURSEMENTS: All funds will be disbursed at closing.

REPAYMENT: Principal and interest payments are due monthly and will be based on a fifteen (15) year amortization.

INTEREST RATE: Fixed rate of 7.0%.

PREPAYMENT PENALTY: None.

ORIGINATION FEE: \$1,750.00

MATURITY: Two (2) years from origination date.

COLLATERAL: First mortgage on 107.11 acres generally described as 153 Love Lane, Batesburg, Lexington County, South Carolina.

LOAN AGREEMENT: The terms and conditions of the approved loan shall be set forth in a Permanent Loan Agreement.





APPRAISAL: The Bank and Borrowers agree to use the appraisal prepared by H. A. Free with appraised value determined as \$1,250,000 as of April 4, 2005.

FLOOD CERTIFICATION: Certification that the improvements of collateral are not located in flood area is required.

HAZARD INSURANCE: Borrower shall furnish in respect to content, amount, carrier and form acceptable to Bank a Fire and Hazard Extended Coverage insurance policy for the replacement cost of the Collateral naming Bank as mortgagee/loss payee and shall maintain General Liability Insurance.

TITLE INSURANCE: Prior to the Loan closing, the Bank shall receive a standard ALTA mortgagee title insurance binder, and promptly after the Loan closing, the Bank shall receive a standard ALTA mortgagee title insurance policy covering the Mortgage satisfactory to the Bank as to coverage and amount.

FINANCIAL INFORMATION: While the Loan is outstanding, on an annual basis the Borrowers will provide the Bank with United States federal tax returns and personal financial statements.

DOCUMENTATION: Borrowers will be required to execute certain documents ("Loan Documents") at Closing including, but not limited to the Promissory Note and Business Loan Agreement.

EXPENSES: Borrower will pay all expenses associated with the Loan. These expenses shall include, but are not limited to, Borrowers' and Bank's attorneys' fees and recording fees, and appraisal fees.

ENVIRONMENTAL: A government database report of the environmental condition of Collateral will be obtained by Bank for a fee of \$250 to be paid by Borrowers. Environmental condition of Collateral must be acceptable to Bank in all respects.

CONFLICTING PROVISIONS: If any of the provisions of this Commitment shall be construed to conflict with any terms or provisions contained in the Loan Documents, then the Loan Documents shall take priority.

LITIGATION: Borrowers affirm that there are no pending or threatened legal actions, suits, or judgments against them that would create a material adverse change in the financial condition or impair ability to continue business as now conducted.

OTHER REQUIREMENTS: Escrow of working capital/debt repayment for loan term required as additional collateral.



This Commitment is open for your acceptance until the close of business on June 24, 2005 ("Expiration Date), at which time this Commitment expires if not accepted and returned to Bank. In addition, the Commitment shall expire and the Bank shall not be required to make the Loan if the Loan does not close by July 31, 2005. To acknowledge your acceptance, please return a signed copy of this letter to my attention at the following address on or before Expiration date.

Sincerely,

Steven P. McNorrill
Vice President

The foregoing terms and conditions are hereby accepted and agreed to this 24th day of JUNE, 2005.

By: *Roland D. Paddy*
Roland Paddy

By: *David Hostetler*
David Hostetler

By: *William Owens*
William Owens



DOC02500020314792889001000000

AGREEMENT TO PROVIDE INSURANCE

Principal	Loan Date	Maturity	Loan No	Call / Cos	Account	Officer	Initials
6700,000.00	06-24-2005	07-08-2007	20314792889001	3170		C4JWB	
References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Grantor: ROLAND G PADDY (SSN: 0866), DAVID S HOSTETLER (SSN: 7348) and WILLIAM H OWENS (SSN: 1047)
MYRTLE BEACH, SC 29577-0000

Lender: REGIONS BANK
GREENVILLE
290 SOUTH PLEASANTBURG DRIVE
GREENVILLE, SC 29607

INSURANCE REQUIREMENTS. Grantor, ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS ("Grantor"), understands that insurance coverage is required in connection with the extending of a loan or the providing of other financial accommodations to Grantor by Lender. These requirements are set forth in the security documents for the loan. The following minimum insurance coverages must be provided on the following described collateral (the "Collateral"):

Collateral: 107.11 ACRES, 153 LOVE LANE, BATESBURG, SC 29006.

Type: Fire and extended coverage.

Amount: Full Insurable Value.

Basis: Replacement value.

Endorsements: Lenders Loss Payee Clause in Favor of Regions Bank; and further stipulating that coverage will not be cancelled or diminished without a minimum of 10 days prior written notice to Lender, and without disclaimer of the insurer's liability for failure to give such notice.

Latest Delivery Date: By 10 days after the loan closing date.

INSURANCE COMPANY. Grantor may obtain insurance from any insurance company Grantor may choose that is reasonably acceptable to Lender. Grantor understands that credit may not be denied solely because insurance was not purchased through Lender.

FLOOD INSURANCE. Flood Insurance for the Collateral securing this loan is described as follows:

Real Estate at 107.11 ACRES, 153 LOVE LANE, BATESBURG, SC 29006.

The Collateral securing this loan is not currently located in an area identified as having special flood hazards. Therefore, no special flood hazard insurance is necessary at this time. Should the Collateral at any time be deemed to be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Collateral is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan. Flood insurance may be purchased under the National Flood Insurance Program or from private insurers.

INSURANCE MAILING ADDRESS. All documents and other materials relating to insurance for this loan should be mailed, delivered or directed to the following address:

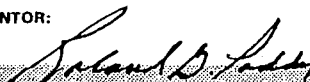
Regions Bank
Attn. Collateral Insurance Dept.
PO Box 2449
Montgomery, AL 36102

FAILURE TO PROVIDE INSURANCE. Grantor agrees to deliver to Lender, on the latest delivery date stated above, evidence of the required insurance as provided above, with an effective date of June 24, 2005, or earlier. Grantor acknowledges and agrees that if Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may do so at Grantor's expense as provided in the applicable security document. The cost of any such insurance, at the option of Lender, shall be added to the indebtedness as provided in the security document. GRANTOR ACKNOWLEDGES THAT IF LENDER SO PURCHASES ANY SUCH INSURANCE, THE INSURANCE WILL PROVIDE LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO AN AMOUNT EQUAL TO THE LESSER OF (1) THE UNPAID BALANCE OF THE DEBT, EXCLUDING ANY UNEARNED FINANCE CHARGES, OR (2) THE VALUE OF THE COLLATERAL; HOWEVER, GRANTOR'S EQUITY IN THE COLLATERAL MAY NOT BE INSURED. IN ADDITION, THE INSURANCE MAY NOT PROVIDE ANY PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND MAY NOT MEET THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY LAWS.

AUTHORIZATION. For purposes of insurance coverage on the Collateral, Grantor authorizes Lender to provide to any person (including any insurance agent or company) all information Lender deems appropriate, whether regarding the Collateral, the loan or other financial accommodations, or both.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT TO PROVIDE INSURANCE AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED JUNE 24, 2005.

GRANTOR:

X 
ROLAND G PADDY

X 
DAVID S HOSTETLER

X 
WILLIAM H OWENS

FOR LENDER USE ONLY	
DATE:	INSURANCE VERIFICATION
AGENT'S NAME:	PHONE:
AGENCY:	
INSURANCE COMPANY:	
POLICY NUMBER:	
EFFECTIVE DATES:	
COMMENTS:	



000597



DOC24000020314792889001000000

REGIONS

BANK

DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$700,000.00	06-24-2005	07-08-2007	20314792889001	3170		24JW9	
References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing ***** has been omitted due to text length limitations.							

Borrower: ROLAND G PADDY (SSN: [REDACTED] 0866), DAVID S
HOSTETLER (SSN: [REDACTED] 7346) and WILLIAM H
OWENS (SSN: [REDACTED] 1047)
[REDACTED]
MYRTLE BEACH, SC 29577-0000

Lender: REGIONS BANK
GREENVILLE
290 SOUTH PLEASANTBURG DRIVE
GREENVILLE, SC 29607

LOAN TYPE. This is a Fixed Rate (7.000%) Nondisclosable Loan to three Individuals for \$700,000.00 due on July 8, 2007.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- ☐ Personal, Family, or Household Purposes or Personal Investment.
☒ Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Residential 1-4 Family.

FLOOD INSURANCE. The property that will secure the loan is not located in an area that has been identified by the Director of the Federal Emergency Management Agency as an area having special flood hazards. Therefore, although flood insurance may be available for the property, no special flood hazard insurance is required by law for this loan.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$700,000.00 as follows:

Amount paid to others on Borrower's behalf: \$700,000.00
\$700,000.00 to MICHELE PADDY, ATTY AT LAW

Note Principal: \$700,000.00

CHARGES PAID IN CASH. Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash: \$1,750.00
\$1,750.00 ORIGINATION FEE

Other Charges Paid in Cash: \$150.00
\$150.00 Appraisal

Total Charges Paid in Cash: \$1,900.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED JUNE 24, 2005.

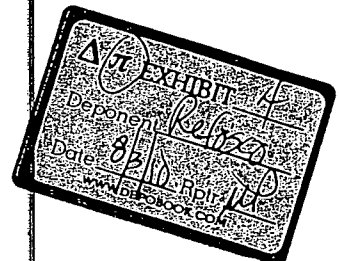
BORROWER:

x 
ROLAND G PADDY

x 
DAVID S HOSTETLER

x 
WILLIAM H OWENS

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REGIONS

BANK

PROMISSORY NOTE



Principal	Loan Date	Maturity	Loan No.	City/State	Account	Officer	Initials
\$700,000.00	06-24-2005	07-08-2007	20314792889001	3170		C4JW9	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing ***** has been omitted due to text length limitations.

Borrower: ROLAND G PADDY (SSN: [REDACTED]-0866), DAVID S HOSTETLER (SSN: [REDACTED]-7346) and WILLIAM H OWENS (SSN: [REDACTED]-1047)
[REDACTED]
MYRTLE BEACH, SC 29577-0000

Lender: REGIONS BANK
GREENVILLE
290 SOUTH PLEASANTBURG DRIVE
GREENVILLE, SC 29607

Principal Amount: \$700,000.00

Interest Rate: 7.000%

Date of Note: June 24, 2005

PROMISE TO PAY. ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS ("Borrower") jointly and severally promise to pay to REGIONS BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of Seven Hundred Thousand & 00/100 Dollars (\$700,000.00), together with interest at the rate of 7.000% per annum on the unpaid principal balance from June 24, 2005, until paid in full.

PAYMENT. Borrower will pay this loan in 23 regular payments of \$6,349.61 each and one irregular last payment estimated at \$651,756.31. Borrower's first payment is due August 8, 2005, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on July 8, 2007, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other places as Lender may designate in writing.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: REGIONS BANK, GREENVILLE, 290 SOUTH PLEASANTBURG DRIVE, GREENVILLE, SC 29607.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will bear interest from the date of acceleration or maturity at the interest rate on this Note. The interest rate will not exceed the maximum rate permitted by applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note. In the event of a death, Lender, at its option, may, but shall not be required to, permit the guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes Lender's reasonable attorneys' fees in an amount not less than fifteen percent (15%) of the amount owing on this Note and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender

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or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of South Carolina without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of South Carolina.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

COLLATERAL. Borrower acknowledges this Note is secured by MORTGAGE DATED JUNE 24, 2005 FROM BORROWER (S) COVERING REAL ESTATE LOCATED AT 107.11 ACRES, 153 LOVE LANE BATESBURG SC 29008 LEXINGTON COUNTY.

ARBITRATION. Borrower and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature, arising from this Note or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any collateral securing this Note shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any collateral securing this Note, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Note shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

REQUESTS FOR SPECIAL SERVICES. In general, there are no borrower-paid fees associated with the routine servicing of a loan or line of credit. Borrower, however, may occasionally find it necessary to request services for which there is a charge. The services that fall outside of routine servicing include, without limitation, providing the following documents upon request: amortization schedules, duplicate year-end statements, copies of loan documents or periodic statements, payment histories, and replacement coupon books. Borrower agrees to pay the fees imposed by Lender in connection with providing the requested services, as in effect from time to time. Borrower also agrees to pay facsimile or other fees imposed by Lender if these services are requested on an expedited basis. All such fees shall be fully earned and non-refundable, and shall be paid upon Lender's demand (provided, that Lender, in its discretion, may add the fees to the principal indebtedness due, and accrue interest thereon, and the same shall be due, if not sooner demanded by Lender, upon the maturity of the indebtedness without further demand). The fees shall not be deemed to be interest or charges for the use of money. If Borrower requests services or documents as part of Lender's procedures for resolving a billing error on a line of credit, Lender will not impose, or will reverse, the fee.

NOTICE CONCERNING APPRAISAL WAIVER. The laws of South Carolina provide that in any real estate foreclosure proceeding a defendant against whom a personal judgement is taken or asked may within thirty days after the sale of the mortgaged property apply to the court for an order of appraisal. The statutory appraisal value as approved by the court would be substituted for the high bid and may decrease the amount of any deficiency owing in connection with the transaction. THE UNDERSIGNED HEREBY WAIVES AND RELINQUISHES THE STATUTORY APPRAISAL RIGHTS WHICH MEANS THE HIGH BID AT THE JUDICIAL FORECLOSURE SALE WILL BE APPLIED TO THE DEBT REGARDLESS OF ANY APPRAISED VALUE OF THE MORTGAGED PROPERTY.

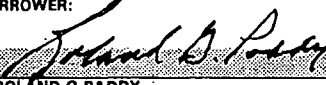
SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Each Borrower understands and agrees that, with or without notice to Borrower, Lender may with respect to any other Borrower (a) make one or more additional secured or unsecured loans or otherwise extend additional credit; (b) alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of any indebtedness, including increases and decreases of the rate of interest on the indebtedness; (c) exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any security with or without the substitution of new collateral; (d) apply such security and direct the order or manner of sale thereof, including without limitation, any non-judicial sale permitted by the terms of the controlling security agreements, as Lender in its discretion may determine; (e) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; and (f) determine how, when and what application of payments and credits shall be made on any other indebtedness owing by such other Borrower. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE AND THE ATTACHED NOTICE TO COSIGNER. EACH BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

x 
ROLAND G PADDY

x 
DAVID S HOSTETLER

x 
WILLIAM H OWENS



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REGIONS

BANK

BUSINESS LOAN AGREEMENT



Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
6700,000.00	06-24-2005	07-08-2007	20314792889001	3170		GJW9	
References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing ***** has been omitted due to text length limitations.							

Borrower: ROLAND G PADDY (SSN: 00000866), DAVID S HOSTETLER (SSN: 000007346) and WILLIAM H OWENS (SSN: 000001047)
MYRTLE BEACH, SC 29577-0000

Lender: REGIONS BANK
GREENVILLE
290 SOUTH PLEASANTBURG DRIVE
GREENVILLE, SC 29607

THIS BUSINESS LOAN AGREEMENT dated June 24, 2005, is made and executed between ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS ("Borrower") and REGIONS BANK ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement ("Loan"). Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of June 24, 2005, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until such time as the parties may agree in writing to terminate this Agreement.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the Initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any indebtedness exists:

Organization. ROLAND G PADDY maintains an office at 728 8TH AVENUE NORTH, MYRTLE BEACH, SC 29577-0000. Unless ROLAND G PADDY has designated otherwise in writing, the principal office is the office at which ROLAND G PADDY keeps its books and records including its records concerning the Collateral. ROLAND G PADDY will notify Lender prior to any change in the location of ROLAND G PADDY's principal office address or any change in ROLAND G PADDY's name. ROLAND G PADDY shall do all things necessary to comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to ROLAND G PADDY and ROLAND G PADDY's business activities.

DAVID S HOSTETLER maintains an office at 728 8TH AVENUE NORTH, MYRTLE BEACH, SC 29577. Unless DAVID S HOSTETLER has designated otherwise in writing, the principal office is the office at which DAVID S HOSTETLER keeps its books and records including its records concerning the Collateral. DAVID S HOSTETLER will notify Lender prior to any change in the location of DAVID S HOSTETLER's principal office address or any change in DAVID S HOSTETLER's name. DAVID S HOSTETLER shall do all things necessary to comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to DAVID S HOSTETLER and DAVID S HOSTETLER's business activities.

WILLIAM H OWENS maintains an office at 728 8TH AVENUE NORTH, MYRTLE BEACH, SC 29577. Unless WILLIAM H OWENS has designated otherwise in writing, the principal office is the office at which WILLIAM H OWENS keeps its books and records including its records concerning the Collateral. WILLIAM H OWENS will notify Lender prior to any change in the location of WILLIAM H OWENS' principal office address or any change in WILLIAM H OWENS' name. WILLIAM H OWENS shall do all things necessary to comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to WILLIAM H OWENS and WILLIAM H OWENS' business activities.

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: None.

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

Hazardous Substances. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral; (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and

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ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral. The provisions of this section of the Agreement, including the obligation to indemnify, shall survive the payment of the indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with such financial statements and other related information at such frequencies and in such detail as Lender may reasonably request.

Additional Information. Furnish such additional information and statements, as Lender may request from time to time.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Environmental Studies. Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Compliance Certificates. Unless waived in writing by Lender, provide Lender at least annually, with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

Environmental Compliance and Reports. Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements,

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assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Capital Expenditures. Make or contract to make capital expenditures, including leasehold improvements, in any fiscal year in excess of \$_____ or incur liability for rentals of property (including both real and personal property) in an amount which, together with capital expenditures, shall in any fiscal year exceed such sum.

Continuity of Operations. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, or (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, dissolve or transfer or sell Collateral out of the ordinary course of business.

Agreements. Borrower will not enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy of similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's or any Grantor's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after receiving written notice from Lender demanding cure of such default: (1) cure the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Arbitration. Borrower and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature, arising from this Agreement or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order or a power of sale under any deed of trust or mortgage.

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obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Agreement shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Attorneys' Fees; Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of South Carolina without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of South Carolina.

Joint and Several Liability. All obligations of Borrower under this Agreement shall be joint and several, and all references to Borrower shall mean each and every Borrower. This means that each Borrower signing below is responsible for all obligations in this Agreement.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any person or circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other person or circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

Survival of Representations and Warranties. Borrower understands and agrees that in making the Loan, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the making of the Loan and delivery to Lender of the Related Documents, shall be continuing in nature, and shall remain in full force and effect until such time as Borrower's indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

Waive Jury. All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS and includes all co-signers and co-makers signing the Note.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Grantor. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means REGIONS BANK, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means the Note executed by ROLAND G PADDY, DAVID S HOSTETLER and WILLIAM H OWENS in the principal amount of \$700,000.00 dated June 24, 2005, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED JUNE 24, 2005.

BORROWER:

x 
ROLAND G PADDY

x 
DAVID S HOSTETLER

x 
WILLIAM H OWENS

LENDER:

REGIONS BANK

By: _____
Authorized Signer

**CHICAGO TITLE INSURANCE COMPANY
NOTICE TO PURCHASER-BORROWER
NOTICE OF AVAILABILITY OF OWNER'S TITLE INSURANCE
AND NOTICE OF AGENCY**

A Mortgagee's Policy of title insurance in the amount of \$700,000.00 insuring the property you are buying is being issued to your mortgage lender, but the policy does not provide title insurance coverage to you.

You may obtain an Owner's Policy of title insurance that provides title insurance coverage to you. The additional cost to you for an Owner's Policy of title insurance in the amount of \$ (being the full purchase price) is \$525.00, if you request it at this time.

CHICAGO TITLE INSURANCE COMPANY

☐ I/We do request an Owner's Policy of title insurance.
☒ I/We do not request an Owner's Policy of title insurance.

Purchaser/Borrower: _____

Purchaser/Borrower: _____

Purchaser/Borrower: _____

Roland G. Paddy and David S. Hostetler and William H. Owens

**SOUTH CAROLINA DEPARTMENT OF INSURANCE
TITLE INSURANCE FINANCIAL DISCLOSURE FORMS**

In accordance with S.C. Code '38-75-960(A)(1976), as amended, the undersigned producer of title business or associate of such producer hereby advises that it has a financial interest in the following title insurer(s) or title agent(s):

Name of Insurer or Agent
1. Michele Paddy Refosco, Attorney at Law

Address
1800 Oak Street, Suite B
Myrtle Beach, SC 29577

Nature of Interest
Agency/Agent

Signature: _____

Notice is hereby given that Michele Paddy Refosco, Attorney at Law is a licensed agency, and that Michele Paddy Refosco, Esq. is a licensed agent for Chicago Title Insurance Company and will be paid a commission for the underwriting, preparation, and issuance of the policy equal to sixty percent of the premium charged. Notice is hereby given that you have the right to choose your title insurer.

ACKNOWLEDGMENT

The undersigned applicant is a buyer, seller or lender who has been referred by the above-named producer of title insurance business or associate of such producer to one or more of the title insurers or title agents identified hereinabove. The undersigned expressly recognizes and acknowledges the financial interest of such producer or associate as disclosed hereinabove. The undersigned hereby consents to the audit of the closing attorney's escrow accounts as well as the review of the closing file by Chicago Title Insurance Company.

Applicant's Name: Roland G. Paddy and David S. Hostetler and William H. Owens

Signature(s): _____

Signature(s): _____

Signature(s): _____

06/24/2005

F.2781 Rev. 4/90



This form complies with SCID Regulation 89-18, August 21, 1974, and S.C. Code '38-75-960(A)(1976)

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NBSC

Account Signer Identification Form

Account Number _____

I, William Owens, do hereby certify that the information
Signer's Name

below is true and that a copy of two acceptable forms of identification is attached. For your protection, all new account applications are verified by Equifax Financial Services.

Name William Owens

~~XX~~ Street [REDACTED]
(Cannot be PO Box)

City Myrtle Beach

State SC Zip 29578

~~XX~~ Home Telephone: 626-8786

~~XX~~ Tax ID: [REDACTED]-1047

~~XX~~ DOB 12/14/32

~~XX~~ Mother's Maiden Name Anthony
(Personal Accounts Only)

Employer (if applicable) ---

~~XX~~ Business Telephone 448-5050

Description of acceptable identification: 1) DDI 43427 12-2001 12-2001
(See back of form) SCDL ISSUE EXP

SEAL

MICHELE PADDY REFOSCO
NOTARY PUBLIC for SOUTH CAROLINA
My Commission Expires: 5 September 2011

~~XX~~ 2) VISA 1258 12-2005
CREDIT LAST EXP
CARD 4 Digits
Type

Signer's Signature

Date

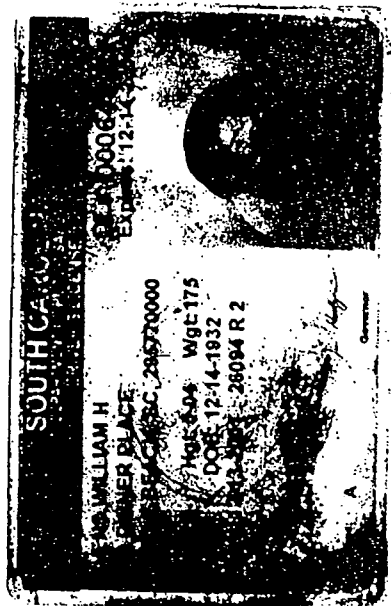
4/29/05

Notary

Date

4/29/05





809000



DOC38046073300000007000044700000000

Business Loan Application
20073620826410

Type of Application
(Field to be completed at closing)
☐ Phone ☐ Mail/Fax ☐ In Person



SUBMITTING OFFICER INFORMATION (Bank Use Only)

BRANCH NAME: GREENVILLE SC MAIN BRANCH #: 80091504071 BRANCH BUSINESS BANKER: Banker BB/BR CIO#/USER ID: Y4CM5

INFORMATION ABOUT THE BUSINESS

LEGAL BUSINESS NAME/BORROWING ENTITY: ROLAND G PADDY
PHYSICAL STREET ADDRESS: [REDACTED] CITY: MYRTLE BEACH STATE: SC ZIP: 29577
MAILING ADDRESS: [REDACTED] CITY: MYRTLE BEACH STATE: SC ZIP: 29577
PHONE NUMBER: [REDACTED] TAX IDENTIFICATION NUMBER (E.I.N.): [REDACTED] TYPE BUSINESS: Individual
DESCRIPTION OF BUSINESS: PROPERTY INVESTMENTS STATE OF ORIGIN: SC YEAR BUSINESS ESTABLISHED: 00-00-0000
TIME AS OWNERS OF BUSINESS: 0 YRS 0000 MONTHS 1.00 GROSS REVENUE PRIOR FISCAL YEAR \$

LOAN PRODUCT TYPE

REQUESTED: TNOF
APPROVED: TNOF

LOAN PURPOSE

BRNA
RENEWAL ACCOUNT# 203147926800000000001

LOAN REQUEST

REQUESTED LOAN AMOUNT: 700000.00
APPROVED LOAN AMOUNT: 642556.00

PRINCIPAL OWNER INFORMATION

Check the appropriate box that describes your relationship to the loan application*

NAME	PHYSICAL STREET ADDRESS C/S/Z	SOCIAL SECURITY #	DATE OF BIRTH	% OWNERSHIP	TITLE
A ROLAND G PADDY	600 S. PARKWAY MYRTLE BEACH, SC, 29577	[REDACTED]	[REDACTED]	33	

U.S. Citizen ☐ Yes ☐ No Type ID: [REDACTED] # 004410378 Issue Date: 07-29-2005 Expiration Date: 09-02-2010 Issuing State/Country: SC

Secondary ID (if applicable): Type ID: # Issue Date: Expiration Date: Issuing State/Country:

Are you a current or former foreign political official, or an associate or family member of one? ☐ Yes ☐ No (Fields to be completed at closing)

If yes, What is the political position of the official?

If yes, What is relationship?

SALARY (Annual) \$ OTHER INCOME (Annual)** \$ PERSONAL NET WORTH \$

Relationship ☐ Guarantor (if you do not have ownership in this company, is it your intention to apply jointly for credit?) ☐ Yes ☐ No ☐ Authorized Signer (personal financial information not necessary)

NAME	PHYSICAL STREET ADDRESS C/S/Z	SOCIAL SECURITY #	DATE OF BIRTH	% OWNERSHIP	TITLE
B DAVID HOSTETLER	1400 S. PARKWAY MYRTLE BEACH, SC, 29577	[REDACTED]	[REDACTED]	33	

U.S. Citizen ☐ Yes ☐ No Type ID: [REDACTED] # 003940554 Issue Date: 06-11-2004 Expiration Date: 06-11-2009 Issuing State/Country: SC

Secondary ID (if applicable): Type ID: # Issue Date: Expiration Date: Issuing State/Country:

Are you a current or former foreign political official, or an associate or family member of one? ☐ Yes ☐ No (Fields to be completed at closing)

If yes, What is the political position of the official?

If yes, What is relationship?

SALARY (Annual) \$ OTHER INCOME (Annual)** \$ PERSONAL NET WORTH \$

Relationship ☐ Guarantor (if you do not have ownership in this company, is it your intention to apply jointly for credit?) ☐ Yes ☐ No ☐ Authorized Signer (personal financial information not necessary)

NAME	PHYSICAL STREET ADDRESS C/S/Z	SOCIAL SECURITY #	DATE OF BIRTH	% OWNERSHIP	TITLE
C WILLIAM H OWENS	1400 S. PARKWAY MYRTLE BEACH, SC, 29577	[REDACTED]	[REDACTED]	33.000	

U.S. Citizen ☐ Yes ☐ No Type ID: [REDACTED] # 0036543477 Issue Date: 12-04-2006 Expiration Date: 12-14-2011 Issuing State/Country: SC

Secondary ID (if applicable): Type ID: # Issue Date: Expiration Date: Issuing State/Country:

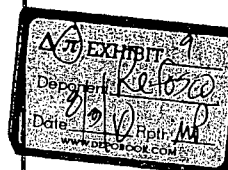
Are you a current or former foreign political official, or an associate or family member of one? ☐ Yes ☐ No (Fields to be completed at closing)

If yes, What is the political position of the official?

If yes, What is relationship?

SALARY (Annual) \$ OTHER INCOME (Annual)** \$ PERSONAL NET WORTH \$

Relationship ☐ Guarantor (if you do not have ownership in this company, is it your intention to apply jointly for credit?) ☐ Yes ☐ No ☐ Authorized Signer (personal financial information not necessary)



**Alimony, child support, or separate maintenance income need not to be revealed if you do not wish to have it considered as a basis for repaying this obligation. Please send this completed and signed original application in the installment Loan Processing Dept to Consumer Loan Operators.

000609

NAME	PHYSICAL STREET ADDRESS C/S/Z	SOCIAL SECURITY #	DATE OF BIRTH	% OWNERSHIP	TITLE
D					
U.S. Citizen ☐ Yes ☐ No	Type ID ☐ # ☐	Issue Date ☐	Expiration Date ☐	Issuing State/ Country ☐	
Secondary ID (if applicable)	Type ID ☐ # ☐	Issue Date ☐	Expiration Date ☐	Issuing State/ Country ☐	
Are you a current or former foreign political official, or an associate or family member of one? ☐ Yes ☐ No (Fields to be completed at closing)					
If yes, What is the political position of the official? ☐					
If yes, What is relationship? ☐					
SALARY (Annual) \$ ☐		OTHER INCOME (Annual)** \$ ☐		PERSONAL NET WORTH \$ ☐	
Relationship ☐ Guarantor (if you do not have ownership in this company, is it your intention to apply jointly for credit?) ☐ Yes ☐ No ☐ Authorized Signer (personal financial institution not necessary) ☐					

COLLATERAL INFORMATION

001 153 LOVE LANE BATESBURG, SC 29008; in LEXINGTON county

CUSTOMER IDENTIFICATION PROGRAM: IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: when you open an account we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

APPLICANT'S STATEMENT

This Applicant, by the signature of its authorized representative below, hereby certifies that the foregoing has been carefully read by the Applicant and is given to you for the purpose of obtaining the credit described above and other credit from time to time in whatever form; the information in this application and any other documents or information submitted in connection with this application or any other credit request are or will be true and correct exhibits of the Applicant's financial condition and may be treated by you as a continuing statement thereof until replaced by a new application or until the Applicant specifically notifies you in writing of a change therein and the credit requested herein and any other credit obtained from you by the Applicant on the basis of the information contained in this application shall be used solely for the business or commercial purposes. The Applicant authorizes you to verify any information submitted to you by or on behalf of the Applicant; obtain further information concerning the credit standing of the Applicant, its representatives and guarantors; and exchange credit information with others. The Applicant agrees to provide additional information upon request and agrees that, unless otherwise directed by the Applicant in writing, all statements and notices regarding any credit granted by you to the Applicant shall be mailed to the Applicant at the address shown above. Any person signing below as the duly authorized representative of the Applicant attests that the Applicant is a valid business entity and that each person signing below is authorized to request credit on behalf of the Applicant.

APPLICANT SIGNATURE AND TITLE <i>Richard D. Paddy</i>	DATE
PRINT NAME <i>Roland A Paddy</i>	TITLE
APPLICANT SIGNATURE AND TITLE <i>William H. Owens</i>	DATE
PRINT NAME <i>WILLIAM H. OWENS</i>	TITLE
APPLICANT SIGNATURE AND TITLE <i>David Hostetter</i>	DATE
PRINT NAME <i>D David Hostetter</i>	TITLE
APPLICANT SIGNATURE AND TITLE	DATE
PRINT NAME	TITLE

**Alimony, child support, or separate maintenance income need not to be revealed if you do not wish to have it considered as a basis for repaying this obligation. Please send the completed and signed original application in the instant Loan Processing Bag to Consumer Loan Operations.

000610

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM LEXINGTON COUNTY
Court of Common Pleas

James O. Spence, Master in Equity, Lexington County

CASE NO: 2009-CP-32-5373

Regions Bank Plaintiff

vs.

William S. Owens, David S. Hostetler,
Roland G. Paddy and Greer State Bank..... Defendants

OF WHOM:

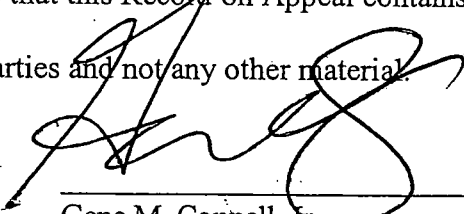
William S. Owens is.....Appellant
and

Regions Bank, Roland G. Paddy
and Greer State Bank are.....Respondents

CERTIFICATE OF COUNSEL

The undersigned hereby certifies that this Record on Appeal contains all materials
proposed to be included by any of the parties and not any other material.

December 16, 2011



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