

22243

IN THE STATE OF SOUTH CAROLINA  
In the Court of Appeals

APPEAL FROM THE COURT OF COMMON PLEAS  
BEAUFORT COUNTY  
FOURTEENTH JUDICIAL CIRCUIT

J. Ernest Kinard, Jr., Judge

Appellate Case No. 2015-000002

The Callawassie Island Members Club, Inc.,

Respondent,

v.

Michael J. Frey and Grace I. Frey,

Defendants,

Of Whom Michael J. Frey is the Appellant.

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RECORD ON APPEAL  
Volume 3 of 4

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1  
2 IN THE COURT OF COMMON PLEAS  
3 FOURTEENTH JUDICIAL CIRCUIT  
4 STATE OF SOUTH CAROLINA  
5 COUNTY OF BEAUFORT  
6

7 THE CALLAWASSIE ISLAND MEMBERS CLUB, INC.,  
8 Plaintiff,  
9

10 vs.

CIVIL ACTION NUMBER  
2012-CP-07-02681

11  
12  
13  
14 WILLIAM HOBSON and PATRICIA HOBSON,  
15 Defendants.  
16

COPY

17 -----/  
18 The deposition of LINDSAY COOLER, a  
19 witness in the above-entitled cause, taken  
20 pursuant to Notice and agreement, before Ceil  
21 Weser, Certified Court Reporter and Notary  
22 Public, at the Law Offices of Brian McDaniel,  
23 2015 Boundary Street, Beaufort, South Carolina,  
24 on the 1st day of May, 2015, commencing at or  
25 about the hour of 10:05 a.m.

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Patricia Hobson

- - -

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 LINDSAY COOLER,

3 having been produced and first duly sworn as a  
4 witness, testified as follows:

5 DIRECT EXAMINATION

6 BY MR. MCDANIEL:

7 Q Good morning, Miss Cooler. My name is  
8 Brian McDaniel. I think we have met before, and  
9 I believe you have taken an a deposition before,  
10 but let me just restate for the record --

11 MR. HAIGHT: You are the one who  
12 took it, Brian.

13 BY MR. MCDANIEL:

14 Q So I am sure you took a deposition  
15 before. Let me just restate for the record if  
16 you have any questions about the questions I ask  
17 you, you should direct that to me. Your  
18 attorney can object, and if they do you can  
19 still answer the question, unless they direct  
20 you not to answer the question. And that if you  
21 do answer the question, I will assume that it  
22 was understood so if it is confusing to you for  
23 some reason, then just ask me to clarify the  
24 question.

25 Good? Does that make sense?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A Yes.

3 Q Let me start and just to get you to  
4 tell us what is your position with the  
5 Callawassie Island Members Club?

6 A I am the membership director.

7 Q Is it correct you have been the  
8 membership director since 2007?

9 A Correct.

10 Q And as the membership director if you  
11 would just state what does that position entail?  
12 What are your duties in that position?

13 A I take care of membership issues,  
14 concerns, someone can't figure out how to get  
15 their E-mails, that sort of thing.

16 I work with potential new members  
17 coming in, and I work with new members getting  
18 them orientated to the club, introducing them to  
19 staff. A lot of member services type duties.

20 Q And is there anybody else -- any other  
21 positions other than yours that you work closely  
22 with or that you work with with regard to  
23 membership issues?

24 A The closest one would be Jeff Spencer,  
25 our general manager.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Q And he has been the general manager  
3 since the time you have been there or has that  
4 changed?

5 A Yes, he wasn't there when I started,  
6 and then shortly after he was hired he was the  
7 golf pro and then he got hired as the general  
8 manager. I can't remember the exact year it  
9 was.

10 Q Now, did you receive a copy of the  
11 Notice of the Deposition?

12 A For mine?

13 Q Yes, did you see the actual Notice of  
14 Deposition?

15 A I believe I did via E-mail.

16 Q I will ask you here, part of the notice  
17 if you had seen it was asking for you to bring  
18 documents to the deposition.

19 Did you bring any documents with you  
20 today?

21 A I did not.

22 Q Let me just ask you to look at this for  
23 a second before we get started, the attachment  
24 A, and see are there any documents there that  
25 you --

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Well, let me ask you why didn't you  
3 bring any documents with you?

4 A Well, to be quite honest I forgot.

5 MR. HAIGHT: Well, and Brian,  
6 don't you have all of this in  
7 discovery? Isn't this simply  
8 duplicative at this point?

9 MR. MCDANIEL: I don't know. I  
10 mean that was kind of the idea of  
11 sending the letter.

12 MR. HAIGHT: You are asking for a  
13 lot more than just with regard to the  
14 Hobson's. This is with regard to Alden  
15 Applegate, Dennis Racere (phonetic).  
16 And you have gotten the documents with  
17 regard to the swap with Reese.

18 MR. MCDANIEL: So are you saying  
19 that all of the documents there have  
20 been turned over?

21 MR. HAIGHT: Well, I know there  
22 was certainly a lot of questioning  
23 about that during the Hobsons'  
24 depositions. That was based on  
25 documents, all the same ones that we

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 have are the ones that you have.

3 MR. MCDANIEL: Okay.

4 But you can't tell me if all the  
5 documents there have been turned over  
6 or not?

7 MR. HAIGHT: That is not what I  
8 said. I said we have responded fully  
9 in discovery with all these cases that  
10 you have listed. So I would be very  
11 surprised if there was something that  
12 is not in there, unless it is something  
13 the Hobson's have. Mr. Hobson seems to  
14 have a lot of documentation.

15 MR. MCDANIEL: I am not asking for  
16 what he had. I am asking for what the  
17 club has, and that is what this was, is  
18 a request to bring this to the  
19 deposition.

20 MR. HAIGHT: You have already  
21 submitted discovery on those that have  
22 been responded to. This is  
23 duplicative.

24 MR. MCDANIEL: Well, there may be  
25 some duplicative things in here, but

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 there are certainly others that are not  
3 that haven't been requested in the  
4 case.

5 MR. HAIGHT: For example?

6 MR. MCDANIEL: So -- look, you  
7 didn't bring the documents, so for  
8 example is going to be very hard to  
9 say.

10 Why didn't you bring the documents  
11 with you?

12 MR. HAIGHT: Because you already  
13 have them.

14 MR. MCDANIEL: Well, that wasn't  
15 the reason that was just given. It was  
16 she forgot to bring them.

17 So my assumption from that is she  
18 wasn't -- there were documents there.

19 So that is fine, we will move on.  
20 Because we don't have them, so there is  
21 nothing to argue about.

22 MR. HAIGHT: My guess is we will  
23 see a lot of them here during the  
24 course of this deposition because you  
25 already have them.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 MR. MCDANIEL: We will see what we  
3 see.

4 All right.

5 BY MR. MCDANIEL:

6 Q Let me ask you just a question to  
7 start, are you aware of a method for members to  
8 resign from the Callawassie Members Club?

9 A No.

10 Q And to your knowledge is that something  
11 that a member cannot do is resign from the club?

12 A They can put their membership on the  
13 resale list, but they are still responsible for  
14 the payment until it is transferred.

15 Q But as far as resigning they are put on  
16 the resale list --

17 MR. HAIGHT: Object to the form.

18 BY MR. MCDANIEL:

19 Q -- Does that allow them to resign? Is  
20 that a resignation?

21 A I would assume, but like I said as our  
22 governing documents state they are still  
23 responsible for the dues.

24 Q Are you aware of whether the governing  
25 documents allow a member to resign?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 MR. HAIGHT: Object to the form.

3 THE WITNESS: Yes.

4 BY MR. MCDANIEL:

5 Q You are aware, and do they?

6 A Some have.

7 Q Some governing documents have or some  
8 members have?

9 A Some members have.

10 Q Okay.

11 As far as the governing documents and  
12 since some members have, I am assuming you are  
13 saying then that the governing documents do  
14 allow for a member to resign?

15 MR. HAIGHT: Object to the form.

16 THE WITNESS: They say if you  
17 resign you place your membership on the  
18 resale list, but it says you are still  
19 responsible until it is sold.

20 BY MR. MCDANIEL:

21 Q And I understand that there is some --  
22 I mean I have become fairly familiar with some  
23 of the documents, so I understand there is some  
24 language with regard to what happens or that  
25 there is documents they have.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 But I am just asking you as a  
3 membership director if a member comes to you and  
4 says I want to resign, would you instruct them  
5 that is something they could or could not do?

6 A Sure, we write back and say okay, thank  
7 you for your letter or Notice and you have been  
8 placed on the resale list, but you are still  
9 responsible for your membership until it is  
10 sold.

11 Q Can you describe for me, is there any  
12 other way that a member can relinquish or  
13 terminate or end their membership other than  
14 resignation?

15 A Well sure, if they sell it.

16 Q What would that -- how would that end  
17 their membership?

18 A Or transfer -- when property is sold on  
19 the island a membership must be required.

20 Q And for members who don't -- are you  
21 aware of any members who don't own property?  
22 Any club members who don't own property?

23 A Well yes, we have a couple of associate  
24 members that are nonproperty owners.

25 Q And is an associate member something

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 different than a golf or a social member?

3 A Yes.

4 Q Are you aware of any golf or social  
5 members who don't own property?

6 A No.

7 Q If there were such things, if you did  
8 have such a person how would that person be able  
9 to extinguish their membership?

10 MR. HAIGHT: Object to the form.

11 THE WITNESS: Can you repeat the  
12 question, please?

13 BY MR. MCDANIEL:

14 Q Sure, if you have a golf member who  
15 doesn't own a piece of property, is there a  
16 method by which they would be able to transfer  
17 their membership?

18 A At this time I don't know of any  
19 members that are equity members that don't own  
20 property.

21 We did have a couple of years ago some  
22 members, equity members that had sold their  
23 property without their membership and kept their  
24 membership for whatever reason. Maybe they felt  
25 they were going to use it again.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Q Okay.

3 So with those people what was the club  
4 policy to allow them to transfer or relinquish  
5 or terminate that membership?

6 A The board wrote letters to those people  
7 saying they had realized that their membership  
8 wasn't associated with a property, and there was  
9 the option to give that membership back to the  
10 club. If they -- I can't remember exactly  
11 the -- you know, an X amount of money, whether  
12 it was the rest of the year's dues that need to  
13 be paid or whatever, if they would like to  
14 concede that membership.

15 Q Are you aware of whether or not that  
16 was done through some provision of the governing  
17 documents?

18 A No, I am not.

19 Q And is that something that is available  
20 to any member in that position, or do you know?

21 A Can you repeat the question?

22 Q Sure, if there is any other members who  
23 sell their property and the purchaser of the  
24 property doesn't buy their membership for  
25 whatever reason --

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A Okay.

3 Q -- Would they also be allowed to do  
4 that?

5 A I don't know. I would assume it would  
6 be a case-by-case basis, but that is assuming.

7 Q And as far as the -- in that situation  
8 is there any mechanism that you know of in the  
9 governing provisions of how that type of member  
10 could relinquish or terminate their membership,  
11 outside of a special offer by the board?

12 A No.

13 Q All right.

14 Is it accurate to say that a member may  
15 be able to sell their property and that the  
16 owner would not be required to buy their  
17 membership? That is to say if you have a golf  
18 member and the purchaser wants to buy a social  
19 membership, what happens --

20 MR. HAIGHT: Object to the form.

21 BY MR. MCDANIEL:

22 Q -- What happens in that situation?

23 A We don't offer social memberships  
24 anymore. Our membership structure has changed.

25 Q So what do you offer now?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A Just an island membership.

3 Q But prior to that, prior to that --  
4 that change was what? In the last year?

5 A 2013.

6 Q Okay.

7 Prior to 2013 in the situation I gave  
8 you what would be the case for the golf member  
9 whose purchaser bought a social membership?

10 A Okay, so you are saying --

11 Just repeat the question if you don't  
12 mind.

13 Q Prior to 2013 a landowner on  
14 Callawassie who has a golf membership sells  
15 their property and the buyer wants to just get a  
16 social membership?

17 A Okay.

18 Q So the seller would still own their  
19 golf membership?

20 A Correct.

21 Q And at that point they wouldn't own  
22 property, correct?

23 A Correct.

24 Q And if they wanted to somehow end their  
25 membership in the Callawassie Island Members

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Club, what would they need to do?

3 A Well, it would be put on the resale  
4 list; but obviously it still states that you  
5 would be responsible for it until it is sold.

6 Q Well, and if it is put on the resale  
7 list, what would be the likelihood that it would  
8 get sold and be taken off that resale list? --  
9 let me ask it this way, how many people are on  
10 the resale list now? How many memberships?

11 A 80? I am taking a guess because I  
12 don't know off the top of my head.

13 Q How many unsold lots are there on  
14 Callawassie Island, do you know that?

15 A There is like 90 properties. That is a  
16 mix of home sites and homes.

17 Q And from the resale list how do  
18 memberships come off of the resale list?

19 A We sell through developer to one of our  
20 ones off the resale list.

21 Q Okay.

22 A New memberships.

23 Q Right.

24 And those would be the one's -- pretty  
25 much would be the only ones coming off the

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 resale list would be new memberships, is that  
3 correct?

4 MR. HAIGHT: Object to the form.

5 THE WITNESS: State the question  
6 again, please.

7 BY MR. MCDANIEL:

8 Q As far as the memberships on the resale  
9 list, for them to be taken off the resale list,  
10 would it not normally have to be a sale of a  
11 property that didn't have an associated  
12 membership already with it?

13 A Correct.

14 Q So wouldn't that be these lots that you  
15 are talking about? These 90 plus lots?

16 A Correct.

17 Q So to come off the resale list it  
18 pretty much has to be a sale of a previously  
19 unsold property? One of these 90?

20 A Well, they are all resale. It would  
21 just be someone that didn't have a membership.

22 Q And so to get to number 80 you wouldn't  
23 actually go just straight 80, it would also be  
24 every fourth one would come off the resale list,  
25 right?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A Yes.

3 Q So somebody who is 90 on the resale  
4 list without an associated property, what would  
5 you think their chances of having that  
6 membership sold from the membership would be?

7 A It would you a few years.

8 Q A few years? Like how many?

9 A I am guessing 20.

10 Q So after 20 years, and now we have sold  
11 all 90 available lots, you still wouldn't get to  
12 selling 80 off the resale list, would you? If  
13 you are taking every third off?

14 A If I do the math, no.

15 Q Okay.

16 And so would you agree that if you are  
17 80 on the resale list you really don't have any  
18 expectation that you would be able to get off  
19 that resale list if you don't have a piece of  
20 property to sell with it, would you agree with  
21 that?

22 A I agree.

23 Q And even if you do have a property, if  
24 the person doesn't buy your membership, doesn't  
25 buy the same type of membership, then you would

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 be in this situation?

3 MR. HAIGHT: Object to the form.

4 THE WITNESS: Well, we only offer

5 the one type of membership now so --

6 BY MR. MCDANIEL:

7 Q All right.

8 I want to ask you about Mr. Hobson and  
9 Mrs. Hobson's property and the membership that  
10 is the basis of this litigation or this lawsuit.

11 Are you familiar with their situation  
12 and the exchange of memberships that occurred  
13 with them in about 2007?

14 A Yes.

15 Q Tell me then what you know of that?  
16 What happened there?

17 A From what I can recall Mr. Hobson was  
18 looking to exchange. He had two golf  
19 memberships and he was looking to exchange one.  
20 I can't remember how he got to be with  
21 Mr. Reese. Whether it was they found each other  
22 in the community or what, but they did exchange  
23 their memberships. Mr. Reese had a social and  
24 wanted a golf mand Mr. Hobson had a golf and  
25 wanted a social and they exchanged; and

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Mr. Hobson then put his social membership on the  
3 resale list.

4 Q And do you recall any specific  
5 conversations with Mr. Hobson, or any  
6 communications I should say, with him about that  
7 swap or that --

8 A I mean I know I talked to Mr. Hobson,  
9 but I can't recall.

10 Q Okay.

11 Do you recall how he -- well, do you  
12 recall having conversations with Mr. Reese about  
13 that transaction?

14 A I don't recall.

15 Q Are you familiar with the property  
16 situation that Mr. Hobson had at that time, as  
17 far as what property he owned or the reason why  
18 he wanted to make this exchange?

19 MR. HAIGHT: Object to the form.

20 THE WITNESS: No.

21 BY MR. MCDANIEL:

22 Q Do you recall him ever -- are you aware  
23 at that time that he had two memberships?  
24 Mr. Hobson did?

25 A Yes.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Q I think you did mention that, yeah.

3 A I said that.

4 Q And do you know whether at that time he  
5 had two pieces of property?

6 A I don't recall.

7 Q Well, I will represent to you that he  
8 had owned two pieces of property and had sold  
9 one of them in 2000?

10 A Okay.

11 Q Does that sounds familiar to you at  
12 all?

13 A Yes.

14 But he kept the membership.

15 Q Right, the person who bought the villa  
16 didn't want the membership?

17 A Uh-huh.

18 Q Right.

19 But he still had a lot that he had  
20 purchased in 1988, if you are aware of that or  
21 not?

22 A Okay.

23 Q I will represent that to you.

24 I was just going to ask you, do you  
25 recall that being that fact or that being --

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A I have heard this.

3 Q Do you know what happened to the social  
4 membership after that?

5 A Mr. Hobson's social membership?

6 Q Yes.

7 A It was placed on the resale list.

8 Q And do you know what ultimately --

9 A Yes, it was sold off the resale list.

10 Q And I believe that was about 2010, does  
11 that sound correct?

12 A Yes. And I believe he was actually  
13 given some money back for that.

14 Q And at this time how many memberships  
15 are you aware that Mr. Hobson still has with the  
16 CIMC or the Callawassie Island Members Club has  
17 on record that he has?

18 A One.

19 Q And are you familiar with whether or  
20 not there is a piece of property associated with  
21 that membership?

22 A No.

23 Q How does the club keep track of  
24 property and memberships, or does it? You do  
25 that in some way?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A Yes, we have a database called Jonas.  
3 It is our Jonas billing system. That  
4 information is there.

5 Q Okay.

6 And in Jonas, it links the membership  
7 with the property in some way?

8 A It would have a note in there with what  
9 property it was, yes.

10 Q When did Jonas go into effect, do you  
11 know?

12 A Prior to my time.

13 Q Okay.

14 And so when Mr. Hobson's membership  
15 sold from the resale list in 2010, his social  
16 membership, what notations or what actions would  
17 be taken by either yourself or anybody else, if  
18 you know, to document what property that was  
19 associated with, the membership? Or is there  
20 anything like that that is done?

21 A Well, we would mark them as sold out in  
22 Jonas, so therefore they wouldn't get billed on  
23 that membership anymore.

24 Q Okay.

25 Do you know whether -- who sends out

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 the billing from the Jonas system?

3 A It comes from our accounting office.

4 Q Which is Phoenix?

5 A Phoenix Financial.

6 Q So that actual billing doesn't go  
7 through your office?

8 A No.

9 Q And does the -- are you aware of  
10 whether Jonas owned the billing statement which  
11 showed the property that it is linked to, or  
12 would it simply have the address where the bill  
13 is sent?

14 A It would have the address where the  
15 bill is sent, along with the membership number.

16 Q Okay.

17 And where does that membership number  
18 come from?

19 A From Jonas.

20 Q Is that the same membership number that  
21 might be on the certificate that would be --

22 A No.

23 Q -- A membership certificate?

24 A No.

25 Q It is not?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A No.

3 Q So that is just an internally generated  
4 number from Jonas?

5 A Uh-huh, it would be the membership  
6 number.

7 Q That is a yes? I am sorry, you said  
8 uh-huh?

9 A Yes, I am sorry.

10 Q I just want to make sure of what you  
11 are saying.

12 So Jonas as members are added to that  
13 system, does it just give the next number in the  
14 sequence?

15 A Correct.

16 Q And so as people were put into the  
17 Jonas, their memberships were numbered within  
18 Jonas just sequentially by how many members were  
19 there?

20 A Correct.

21 Q And so when Mr. Hobson got, did this  
22 swap, we will just call it a swap with  
23 Mr. Reese, how did it determine what his new  
24 billing number would be for the social  
25 membership?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A The same thing. It would be the next  
3 social membership number.

4 Q So he didn't keep Mr. Reese's number  
5 from Jonas?

6 A Not that I can recall.

7 Q Okay.

8 It would have been the next one, and so  
9 if we look at that -- I think I have a couple of  
10 these numbers -- that maybe it would be -- that  
11 was the one in 2000 --

12 A '7.

13 Q '7, that was just the next one issued?  
14 If somebody had bought it the next day, they  
15 would have had the next number after that?

16 A Correct.

17 Q And I think I asked you this, but I  
18 just want to make sure, do you know when Jonas  
19 was put into effect? I think you said you don't  
20 know.

21 MR. HAIGHT: You already asked.

22 THE WITNESS: Prior to my time.

23 BY MR. MCDANIEL:

24 Q Okay.

25 Do you know who would have been in

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 charge of doing that? Putting those names into  
3 Jonas prior to you?

4 MR. HAIGHT: Object to the form.

5 THE WITNESS: No.

6 BY MR. MCDANIEL:

7 Q At some point in 2009 and 2010  
8 Mr. Hobson owned two memberships, correct? Or  
9 prior to the social membership being sold?

10 A Correct.

11 Q During that period when a member such  
12 as him in this particular case, he owned two  
13 memberships, if a member doesn't pay on one of  
14 them, are their membership privileges suspended  
15 as to both memberships?

16 A Yes.

17 Q And why is that?

18 A Because you have to be current on all  
19 memberships.

20 Q And is that -- from where do you get  
21 that statement?

22 A It is in our governing documents. And  
23 I can't recall if it is the club rules or the  
24 membership plan. I am sure you have the copies.

25 Q So it is your belief, testimony that

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2 being late on one membership under the governing  
3 rules means that you can be suspended under even  
4 other current memberships?

5 A Yes.

6 Q But you are not sure, you can't point  
7 me to any particular provision in the governing  
8 rules that say that, correct?

9 A Without looking at them, right.

10 Q You think if I showed you the governing  
11 rules you could find that?

12 A I could try.

13 Q Okay.

14 Is there anywhere that actually does  
15 link membership certificate numbers with the  
16 membership account numbers?

17 A No.

18 Q Is the member notified in some way as  
19 to -- scratch that. I will ask you a different  
20 question.

21 Are you familiar with Jackie Lefferts,  
22 do you know who that is?

23 A No.

24 Q Are you familiar with whether all  
25 suspended members are being sued or not? That

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2 is, sued for those claimed late dues and fees?

3 A Yes.

4 Q You believe that they are?

5 A Yes.

6 Q Is it your understanding because that  
7 is the policy of CIMC is to sue all members who  
8 have suspended memberships?

9 A I would not like to say it is the  
10 policy, because I wouldn't know for sure.

11 Q Do you know of any suspended members  
12 who have not been sued since the club started  
13 that enforcement in --

14 A No.

15 Q All right.

16 So I am going to show you a couple  
17 pages here and see if you can help me just  
18 identify these.

19 So I got some billing statements  
20 from -- I will represent to you from July of '07  
21 say from Mr. and Mrs. William Hobson is the  
22 address and get you -- see if you can help me if  
23 they look familiar to you? I am going to hand  
24 you two first that are June and July -- let me  
25 make a quick copy of these. I thought I had a

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 copy in here, so let me do that to start.

3 MR. HAIGHT: I know we have seen  
4 some of these billing statements  
5 before, but these don't have any -- in  
6 your production, but these don't have  
7 any marks on them or any kind of Bates  
8 Stamp on them.

9 Are these ones that have been  
10 provided to us?

11 MR. MCDANIEL: Yes, we have  
12 provided the entire billing record.

13 I can go print off the Bates stamp  
14 one's if you want me to.

15 MR. HAIGHT: It would be helpful  
16 to all of us if you use Bates Stamped  
17 documents, so we all know.

18 MR. MCDANIEL: I mean they are  
19 billing records from CIMC, so clearly  
20 they are records from that --

21 MR. HAIGHT: Well, they are from  
22 his files and they are from a date that  
23 could even be earlier than when she  
24 started there, because it is June of  
25 '07. She said she started in June of

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2 '07.

3 MR. MCDANIEL: She is not the one  
4 when it was the club and there are club  
5 documents. So clearly they have them.  
6 But I don't mind doing that. We have  
7 turned them over so --

8 MR. HAIGHT: Well, these weren't  
9 produced by us.

10 These were produced by you,  
11 correct?

12 MR. MCDANIEL: Yes, they have been  
13 produced in discovery, right.

14 Yeah, they have been produced. We  
15 will take a few minute break, and I  
16 will go get the Bates Stamped ones and  
17 make copies.

18 (Whereupon, a short break was  
19 taken.)

20 BY MR. MCDANIEL:

21 Q I will show you this document first  
22 before we get to the billing and see if you  
23 recognize this.

24 A The same thing?

25 Q Yes.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)  
2 MR. HAIGHT: We got three copies.  
3 BY MR. MCDANIEL:  
4 Q Do you recognize this?  
5 A Yes, it is a certificate.  
6 Q And what would that be a certificate  
7 for?  
8 A Mr. Hobson's social membership.  
9 Q And when would that have been issued?  
10 A It is dated August 31, 2007.  
11 Q Would that be your understanding of  
12 when it would be issued?  
13 A Yes.  
14 Q And does that document, do you  
15 understand that to be a copy of the certificate  
16 that Mr. Hobson was issued at the swap we have  
17 been calling for the social membership?  
18 MR. HAIGHT: Object to the form.  
19 BY MR. MCDANIEL:  
20 Q I mean the golf membership for the  
21 social membership?  
22 A Yes.  
23 MR. MCDANIEL: I will mark that as  
24 Exhibit 1.  
25 (Whereupon, Defendant's Exhibit

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Number 1 was marked for  
3 identification.)

4 BY MR. MCDANIEL:

5 Q And on what has been marked as Exhibit  
6 1, do you see whether it has a certificate  
7 number on it?

8 A Yes.

9 Q And is that 2166?

10 A That is what it says.

11 Q And just to be clear, is it your  
12 testimony that that certificate number has no  
13 bearing on the account number that is issued for  
14 accounting purposes?

15 A Yes.

16 Q Okay.

17 They are completely separate, right?

18 A Yes.

19 Q Is there -- prior to 2001 are you  
20 familiar with how billing was done to subsequent  
21 club members?

22 A No.

23 Q Do you know, does the club keep records  
24 of previous billing statements before 2001?

25 A I don't know.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Q You haven't seen any such records?

3 A Not that I recall.

4 Q Let me ask you about this.

5 This is Hobson production document 605.

6 Can you recognize that document? Or do  
7 you recognize it?

8 A Not really, no, sir.

9 Q Does that look like a form that is  
10 familiar to you with regard to your employment  
11 with Callawassie Island Members Club?

12 A Can you repeat the question?

13 Q Sure.

14 Is this a form that you use as the  
15 membership director?

16 A No.

17 Q Have you seen this form before in  
18 member files such as the Hobson's?

19 A Possibly.

20 Q Are you familiar with whether or not in  
21 2001 -- I think you said earlier Mr. Hobson  
22 resigned one of his memberships and put it on  
23 the resale list at that time?

24 A I don't think I said that.

25 Q Are you familiar with that occurring?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A Yes.

3 Q And would it be -- would this document  
4 appear to fit with that understanding that  
5 Mr. Hobson resigned the membership in 2001?

6 A Well, it says membership resignation  
7 and then it is dated 2001; so yes.

8 Q And you don't have any documents  
9 that -- you didn't bring any documents with you  
10 that would indicate anything other than the fact  
11 that he resigned his membership in 2001,  
12 correct?

13 A Correct.

14 Q And are you aware of any other  
15 documents that would exist that would contest  
16 what is shown on this document?

17 A Not that I can recall.

18 Q Okay.

19 MR. MCDANIEL: I will mark that as  
20 Exhibit 2.

21 (Whereupon, Defendant's Exhibit  
22 Number 2 was marked for  
23 identification.)

24 BY MR. MCDANIEL:

25 Q So just to be clear, is it your

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 understanding that Mr. Hobson did have two  
3 memberships after 2000 and only owned one piece  
4 of property?

5 A Yes.

6 Q And the first membership he purchased  
7 was purchased when?

8 A I can't recall.

9 Q I think we had said he purchased the  
10 property about 1988?

11 A Okay.

12 Q Does that sound correct?

13 A That sounds accurate.

14 Q And the second membership he purchased  
15 would have been sometime later when he purchased  
16 another piece of property in 1996?

17 A Okay.

18 Q Does that fit with the records you have  
19 for Mr. Hobson?

20 A Off the top of my head it sounds  
21 accurate.

22 Q Did you review any records of  
23 Mr. Hobson's file for this deposition?

24 A I have.

25 Q And what did you review?

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A His file.

3 Q Okay.

4 A And his history of memberships.

5 Q And so in that review did you find that  
6 to be accurate that he in fact purchased a  
7 second membership in 1996?

8 A Yes.

9 Q And did that correspond with his  
10 purchase of a villa at Callawassie Island?

11 A I don't recall the property.

12 Q Let me ask you some questions about the  
13 billing records and see if you can just identify  
14 a couple of things for me.

15 So this is document 3 -- Hobson  
16 production document 348, and I want to see if  
17 you can look at that for me and see if you can  
18 identify that as a Callawassie Island club  
19 billing statement?

20 A Yes.

21 Q And does this look like the billing  
22 statements that you are familiar with in  
23 Mr. Hobson's file?

24 A Yes.

25 Q And was this issued by the Callawassie

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Island Club?

3 A It is for Callawassie Island Club's  
4 dues, but it comes from our accounting office.

5 Q And this is dated when?

6 A It says July 31 of 2005.

7 Q And at this time why was it called the  
8 Callawassie Island Club? Why is that? Is that  
9 who was doing the billing at that time?

10 A I don't know.

11 Q If you would, look at that membership  
12 number.

13 A Okay.

14 Q And it appears to be 02016?

15 A Yes.

16 Q And can you tell from the billing on  
17 that whether that would be a social or a golf  
18 membership? By looking at this billing  
19 statement?

20 A I can't tell.

21 Q Okay.

22 A I would have to remember what the dues  
23 were in 2005 -- if you had that.

24 Q So let me jump ahead a little bit with  
25 you.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 MR. MCDANIEL: First let me mark  
3 that as Exhibit 3.

4 (Whereupon, Defendant's Exhibit  
5 Number 3 was marked for  
6 identification.)

7 BY MR. MCDANIEL:

8 Q I am going to show you two documents,  
9 one that I am going to put together is Hobson  
10 production 452 and one is 453.

11 And I will represent to you it appears  
12 to be a later billing statement of July of 2007.  
13 I will get you to look at those.

14 MR. HAIGHT: Are you marking these  
15 as separate exhibits?

16 MR. MCDANIEL: No, they will be  
17 one exhibit together.

18 MR. HAIGHT: I mean they are  
19 different member numbers. Why would  
20 you introduce them as 1?

21 BY MR. MCDANIEL:

22 Q So if you would look at that, could you  
23 identify those two documents?

24 A They are member statements.

25 Q And as your Counsel has pointed out for

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 you, these are two separate member numbers, is  
3 that correct?

4 A Yes.

5 Q And do you recognize either of these  
6 member numbers. Particularly for Mr. Hobson?

7 A Do I recognize them?

8 Q Sure.

9 Do they look familiar to you?

10 A Sure.

11 Q Do you remember Mr. Hobson's member  
12 number?

13 A Yes.

14 Q Okay.

15 Can you tell from these member numbers  
16 and from the billing amounts what their --  
17 either one would be a social membership or a  
18 golf membership? Can you make any conclusions  
19 by looking at them?

20 A No.

21 Q Do they appear to both be golf  
22 memberships? You can't tell?

23 A I can't tell.

24 I would say one does because there is a  
25 lot of golf charges on here.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Q And that would be which one?

3 A The 2582.

4 Q Okay.

5 And so at this time in 2007 -- well,  
6 let me back up because I think that was about  
7 the same year that these were actually -- that  
8 we had some changeover.

9 MR. MCDANIEL: Let me go ahead and  
10 mark those as Exhibit 4 together.

11 MR. HAIGHT: Again, you are going  
12 to make them one exhibit, even though  
13 they are clearly separate documents?

14 MR. MCDANIEL: Correct.  
15 (Whereupon, Defendant's Exhibit  
16 Number 4 was marked for  
17 identification.)

18 BY MR. MCDANIEL:

19 Q Let me back up and this may help  
20 clarify it.

21 I will show you a different document  
22 production 349 and this goes back to 2005, I  
23 will represent to you.

24 So does this appear to be also a  
25 billing statement for Mr. Hobson for a

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 membership from the Callawassie Island Club?

3 A Yes.

4 Q And that membership number that is  
5 represented there is what?

6 A It says 2582. 02582.

7 Q And if you look back at Exhibit 3 that  
8 we looked at a minute ago, that is a different  
9 membership number than was on Exhibit 3,  
10 correct?

11 A Yes.

12 Q But they are the same date essentially?  
13 The same period, July 31 of 2004?

14 A That is what it says.

15 Q So would it be fair to assume that --

16 MR. HAIGHT: Object to the form.

17 BY MR. MCDANIEL:

18 Q -- That those are billing records for  
19 the two memberships that Mr. Hobson owned in  
20 2005?

21 A Yes.

22 Q And then going forward to Exhibit 4,  
23 those appear to be the same billing numbers,  
24 account numbers or what they refer to on the  
25 sheet as member number that he had in July of

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2 '07, is that correct?

3 A Yeah, in '07, 2582; and in '05, 2582.

4 And in '07, 2016 and in '05, 2016.

5 Q I am not trying to trick you.

6 I am trying to establish that so I can  
7 show you the next one in '07.

8 A Okay.

9 Q Which is this.

10 MR. HAIGHT: Is this Exhibit 5?

11 MR. MCDANIEL: Yeah, I want to  
12 make sure I keep them together here.

13 Let me mark this as Exhibit 5.

14 (Whereupon, Defendant's Exhibit  
15 Number 5 was marked for  
16 identification.)

17 BY MR. MCDANIEL:

18 Q So now I am just going to show you what  
19 appears to be document 4, Hobson production  
20 number 456 and 457, which I will represent to  
21 you is another billing statement, a two-page  
22 one.

23 And this is -- am I correct that this  
24 is the next month in '07? That is, it is August  
25 of 2007?

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2 A It says August of 2007.

3 Q And it has a billing number on it,  
4 correct -- A member number, I am sorry?

5 A It has a member number.

6 Q And what is that member number?

7 A It says 02582.

8 Q And that was one of the memberships  
9 that was owned in that we looked at Exhibit 5  
10 showing a member number of 02582 as well, is  
11 that correct?

12 A That is what your Exhibit 5 shows.

13 MR. MCDANIEL: Let me mark that as  
14 Exhibit 6.

15 (Whereupon, Defendant's Exhibit  
16 Number 6 was marked for  
17 identification.)

18 BY MR. MCDANIEL:

19 Q And I will show you another document.

20 A Okay.

21 Q Hobson production number 458. It is  
22 also August 31 of '07.

23 This one shows a membership number of  
24 01714, correct?

25 A That is what it says.

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2 Q So would it be fair then to -- is it  
3 your understanding of looking at that and  
4 comparing it with the July documents that we  
5 just looked at, so you have the two August ones  
6 from the previous Exhibit 6 along with the one I  
7 am showing you now, and the July documents that  
8 show -- it appears to show, am I correct, that  
9 the 2582 membership from July of -- I am sorry,  
10 I am getting the '05 here -- I showed you the  
11 wrong one.

12 The 2582 membership from July of '07,  
13 that there is a corresponding August bill for  
14 that same membership number.

15 But for the 2016 membership from July  
16 of '07, then the August of '07 it appears to  
17 change membership numbers to 01714.

18 A Okay.

19 Q Would that correspond with the sale of  
20 Mr. Hobson's golf membership to Mr. Reese and  
21 the swap that occurred when he received a social  
22 membership?

23 A Yes.

24 Q Is that what would happen with the  
25 accounting as far as there would be a new

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2 account number to Mr. Hobson when that occurred?

3 A From what I can recall, yes.

4 Q And is that approximately the right  
5 time frame that that would have happened in  
6 2007?

7 A Under 2007. I don't know the date.

8 Q Okay.

9 Do you have any records that would  
10 show -- that you believe show something other  
11 than the fact that this is the time period --  
12 that these bills are an accurate reflection of  
13 the records from the Callawassie Island Club  
14 with regard to the billing for Mr. Hobson at  
15 that period?

16 A Not with me.

17 Q Do you believe there are documents that  
18 would dispute what is being shown in these  
19 records?

20 A No.

21 Q Assuming this document here that has  
22 got this 1714 membership on it, the August 31,  
23 '07, how does that 1714 member number get  
24 assigned to Mr. Hobson?

25 A It would be the next social membership

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2 in the Jonas system.

3 Q So 1713 would have been the last one  
4 before that and then he would have gotten 1714?

5 A I would think so.

6 Q Do you know how it was selected which  
7 one of his previous billing membership account  
8 numbers or member numbers were kept and which  
9 one was changed into a social membership?

10 A I don't recall.

11 Q Who would have been in charge of that?  
12 You?

13 A Yes.

14 Q What basis would you use to normally  
15 determine that?

16 A The earliest one.

17 Q The earliest what?

18 A Membership.

19 Q Earliest how? Earliest by member  
20 number?

21 A Correct.

22 Q So whenever they got entered into  
23 Jonas --

24 A Uh-huh.

25 Q -- You would take whichever one was

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2 lower for a swap?

3 A Yes.

4 Q And why would you select the lowest?  
5 What was the reason there?

6 A From talking to board members and  
7 accounting, and I guess how it had been done in  
8 the past.

9 Q Who did you talk to? Do you recall who  
10 you talked to about that?

11 A I don't recall.

12 Q And do you know whether or not that  
13 number, the lower number corresponded to any  
14 particular fact or was that just how it happened  
15 to get entered into Jonas?

16 A Can you ask the question again?

17 MR. HAIGHT: Object to the form.

18 BY MR. MCDANIEL:

19 Q So if a member has two memberships when  
20 the Jonas system is instituted --

21 A Uh-huh.

22 Q -- Do you know whether there is any  
23 system for how those two memberships are -- I  
24 mean one could be certificate 1 and one could be  
25 certificate 2,000, right?

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2 A Sure.

3 Q How was that determination? Do you  
4 have any idea if there was any procedure for  
5 what selected the number that it got put into  
6 Jonas?

7 A Yes, it would just be the next  
8 membership number.

9 Q But originally they were all entered?  
10 I mean Jonas had to at some point be -- the  
11 members had to be all inputted into it to begin  
12 with, correct?

13 MR. HAIGHT: Object to the form.

14 THE WITNESS: I wasn't around  
15 then, so I don't know.

16 BY MR. MCDANIEL:

17 Q And that is what I just wanted to make  
18 sure.

19 You don't know the basis for how  
20 members were initially entered into the Jonas  
21 system?

22 A No.

23 Q And do you know, the Jonas was started  
24 at some time after 2001, correct?

25 A Correct.

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2 Q And so members like Mr. Hobson who had  
3 already purchased both of his memberships prior  
4 to the Jonas system being instituted, his would  
5 have been subject to being an initial input into  
6 the system, right?

7 MR. HAIGHT: Object to the form.

8 THE WITNESS: Yes.

9 BY MR. MCDANIEL:

10 Q I mean it would have to be, right? Can  
11 you think of any other way that that would be --

12 A No.

13 Q Okay.

14 So let me move you ahead --

15 MR. MCDANIEL: Did we mark that  
16 last document?

17 MR. HAIGHT: No.

18 MR. MCDANIEL: Let me mark what is  
19 identified as document Hobson  
20 production document 458 as Exhibit 7.

21 (Whereupon, Defendant's Exhibit  
22 Number 7 was marked for  
23 identification.)

24 BY MR. MCDANIEL:

25 Q And you said you believed that

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2 Mr. Hobson sold the social membership from the  
3 resale list in 2010, correct?

4 A Yes.

5 Q And after that would he continue to be  
6 billed for that membership?

7 A No.

8 Q Let me show you the 2011, January 2011  
9 document that is for -- I mean it is 582.

10 And does that appear to be a billing  
11 statement to Mr. and Mrs. Bill Hobson for  
12 membership number 2582?

13 A That is what it says.

14 Q And is that from your position as the  
15 membership director, does it appear to be an  
16 accurate representation of the billing  
17 statements that would be sent out to members  
18 such as Mr. Hobson?

19 A The statement, yes.

20 Q And it is dated January 31, 2011,  
21 correct?

22 A Yes.

23 Q So would it be your understanding that  
24 that would be a copy of the bill pertaining to  
25 Mr. Hobson's membership that was not sold in

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2 2010?

3 A Correct.

4 Q Okay.

5 And so if we look back at the  
6 previous -- some of the previous exhibits --  
7 well, that is all right. That would be the  
8 current bill.

9 Let me show you another document that  
10 is 587 and I might have to go back and mark the  
11 other one first.

12 A Okay.

13 Q You can look at this one. And let me  
14 mark the one we just talked about, document 582,  
15 as the next exhibit.

16 (Whereupon, Defendant's Exhibit  
17 Number 8 was marked for  
18 identification.)

19 MR. MCDANIEL: Now, if we can mark  
20 ita as Exhibit 9.

21 (Whereupon, Defendant's Exhibit  
22 Number 9 was marked for  
23 identification.)

24 BY MR. MCDANIEL:

25 Q So what has been marked as Exhibit 9,

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2 can you identify that document for me.

3 A It says it is a statement.

4 Q And does it appear to be a Callawassie  
5 Island Club statement to Mr. and Mrs. William  
6 Hobson for account number 01714?

7 A That is what it says.

8 Q And this would be from April 2012?

9 A That is what it says.

10 Q And you see on there it says March  
11 legal fees?

12 A I see that.

13 Q Are you aware of whether this 1714 is  
14 the membership that was sold in 2010?

15 A Yes.

16 Q It is?

17 A Yes.

18 Q Do you know why it would be  
19 accumulating legal fees in April of 2012?

20 A I do not.

21 Q Who would have input that into the  
22 system? You?

23 A No, the accounting office.

24 Q Phoenix would do that?

25 A Yes.

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2 Q And that would be Craig Simonson?

3 A He is the controller.

4 Q All right.

5 Would you agree with me that if in  
6 Mr. Hobson's situation -- let me just ask this,  
7 in Mr. Hobson's situation when he purchased his  
8 villa in '96 and purchased a membership at that  
9 time, that when he sold the villa in 2000 that  
10 it would make sense that he would then be trying  
11 to --

12 MR. HAIGHT: Object to the form.

13 BY MR. MCDANIEL:

14 Q -- Get rid of the membership associated  
15 with that villa?

16 A Yes.

17 Q And that when he transferred a  
18 membership to the social membership, but wanted  
19 to continue to play golf, that is in 2007 when  
20 he made that swap, but knew that he wanted to  
21 continue to play golf, would it also make sense  
22 that he would want to transfer the membership  
23 that he wanted to sell to the social membership?

24 MR. HAIGHT: Object to the form.

25 THE WITNESS: Can you please

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 repeat the question.

3 BY MR. MCDANIEL:

4 Q Sure.

5 If somebody has two memberships and  
6 wants to get rid of them like Mr. Hobson, but he  
7 wants to keep one membership so he can continue  
8 to play golf, I mean if he is attempting to do  
9 that, then he would probably, most likely, most  
10 reasonably want to put that --

11 MR. HAIGHT: Object to the form.

12 BY MR. MCDANIEL:

13 Q -- Membership that wants to be sold on  
14 the social membership, because that is the list  
15 that could sell more quickly, correct?

16 A I am sorry, can you ask it a different  
17 way? I am trying to follow you.

18 Q That is all right. Okay.

19 Is the social member resale list in  
20 2007 longer or shorter than the golf resale  
21 list?

22 A Shorter.

23 Q So wouldn't it make sense that a person  
24 wanting to sell their membership if they could  
25 choose between the golf and the social, would

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 choose to have it on the social resale list?

3 MR. HAIGHT: Object to the form.

4 MR. YOHO: Object to the form.

5 THE WITNESS: Yes.

6 BY MR. MCDANIEL:

7 Q Does the club have a -- would you also  
8 believe it is reasonable that of a membership  
9 associated with property -- let me just I guess  
10 make it a little more simple.

11 Did Mr. Hobson ever make it known to  
12 you that he was trying to get rid of his second  
13 membership?

14 A The social membership?

15 Q The second membership, did he ever  
16 refer to a membership as his second membership?

17 A Not that I can recall.

18 Q And do you ever recall any discussions  
19 directly about asking him or any communications  
20 from him about which membership he was  
21 attempting to sell?

22 A I don't recall.

23 Q Okay.

24 Give me just one minute, just a quick  
25 break.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 (Whereupon, a short break was  
3 taken.)

4 BY MR. MCDANIEL:

5 Q If a member puts their membership on  
6 the resale list and then later put a second  
7 membership on the resale list, which one of  
8 those would it be your understanding would sell  
9 first from the resale list? The earlier one or  
10 the later one?

11 A The first one.

12 Q And in the event that the -- in this  
13 situation isn't it reasonable to expect that the  
14 member in that situation --

15 MR. HAIGHT: Object to the form.

16 BY MR. MCDANIEL:

17 Q -- Would intend to sell if he is going  
18 to sell one of those two first, the one that was  
19 first put on the resale list?

20 A Yes.

21 Q How does the club determine who it is  
22 going to sue, and who it is not going to sue  
23 currently?

24 A I don't know.

25 Q Who makes that determination?

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2 A The board and our general manager.

3 Q Okay.

4 Just to be clear, are the members  
5 notified about how their membership number are  
6 linked to any sort of accounting number? Is  
7 there any way the member would know that? That  
8 is, their certificate number?

9 Is there any way that they are notified  
10 this certificate number is linked to this  
11 membership account number?

12 A Not to my knowledge.

13 Q Okay.

14 What documents do you have that  
15 authorized the repurchase of Mr. Hobson's  
16 secondary membership in 2007? What documents  
17 does the club maintain for that?

18 A Can you repeat the question?

19 Q Sure.

20 When Mr. Hobson's secondary membership  
21 was swapped in 2007 --

22 MR. HAIGHT: Object to the form.

23 BY MR. MCDANIEL:

24 Q -- That was actually a repurchase,  
25 correct? That is, the club purchased it, it was

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2 actually sold to the club, and then he purchased  
3 a social membership?

4 A No, they swapped. They exchanged.

5 Q How does that occur? What is the  
6 mechanics of how that transaction happens?

7 A Through the club.

8 Q And so do the two members actually just  
9 hand each other their certificate?

10 A No.

11 Q Okay.

12 So it is my understanding that that  
13 actually gets transferred back to the club, both  
14 the memberships, is that correct?

15 A Okay.

16 Q Does that sound correct?

17 A Yes.

18 Q And that the club then sells the new  
19 membership to each person? They actually have  
20 another transaction where it is re-issued?

21 A But it is not a new membership.

22 Q I understand that. It is a -- it is  
23 not a -- it is a transfer to the club first and  
24 then to the new person, correct?

25 A Correct.

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Q And does the club keep documents that  
3 authorize that swap?

4 A Yes.

5 Q And what documents does the club have  
6 that regard that swap?

7 A I know there is a piece of paper in  
8 Mr. Hobson's file that has both signatures on it  
9 saying they were doing a swap.

10 Q Both signatures being who?

11 A The Hobson's, Mr. and Mrs.

12 Q Is there a signature of the person they  
13 are swapping with?

14 A I believe so, but I would have to check  
15 my file.

16 Q And you don't have that with you today?

17 A No.

18 Q When you intake a new member, how is  
19 the information for their account transferred  
20 over to Phoenix? Is that something you actually  
21 input?

22 A Yes.

23 Q And so you have access to Jonas,  
24 correct?

25 A Yes.

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2 Q And do you set up the account number?

3 A Yes.

4 Q And is it self-generated through the  
5 Jonas system?

6 A Yes, it would be the next one in line.

7 Q And it automatically fills that in for  
8 you?

9 A Yes.

10 Q Does the Jonas system internally have a  
11 connection to a membership certificate number?

12 A No.

13 Q How is it connected to it?

14 A I believe there are notes within the  
15 system.

16 Q And do those notes in the system  
17 identify a certificate number for each person?

18 A Some of them.

19 Q But not all of them?

20 A Not that I can recall.

21 Q And do you know, is there some  
22 understanding of why some and not others are  
23 noted? Is it the age of the membership?

24 A I don't know.

25 Q Is there a designation in the Jonas

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2 system for whether the person is a resident or  
3 nonresident?

4 A We don't have that category anymore.

5 Q Was there a designation?

6 A It was designated by the dues that they  
7 paid, resident and nonresident.

8 Q But within Jonas would the dues that  
9 they paid be specified as resident or  
10 nonresident? Or is it just a different amount  
11 was plugged in?

12 A If I can recall correctly, it was just  
13 a different amount.

14 Q And so when you had this change of the  
15 membership accounting, go into the one type of  
16 membership, did you get a new software program  
17 or is it still Jonas?

18 A No, it is still Jonas.

19 Q How would a member such as the Hobson's  
20 who have more than one membership be able to  
21 know which membership they are being billed for  
22 by the account statements? If they have more  
23 than one membership, how would they know when  
24 they get their statements which one goes to  
25 which membership?

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2 A I don't know.

3 Q Looking at the membership, the invoices  
4 that we had here or from your knowledge of it,  
5 do you know of any way they could delineate  
6 between, well, this must be the membership I got  
7 in one year and this must be the membership I  
8 got in another year?

9 A No.

10 Q Could you explain the process for  
11 applying legal fees to the account? As far as  
12 how those interest and legal fees get applied to  
13 a member's account?

14 A No.

15 Q Who does that?

16 A That would be the accounting office.

17 Q What fees and charges do you input, if  
18 any?

19 A None.

20 Q That is not part of what you do?

21 A No.

22 Q Are you aware of any multiple  
23 memberships holder who has not been billed  
24 monthly dues or fees on one of their  
25 memberships?

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2 A No.

3 Q How many multiple memberships are there  
4 today, do you know? People that have more than  
5 one membership?

6 A 10? Around 10.

7 Q And are you aware of any multiple  
8 membership holders who do not own property  
9 associated with one or more of their  
10 memberships?

11 A Can you repeat the question?

12 Q Are you aware of any multiple  
13 membership holders who do not have property  
14 associated with one or more of their  
15 memberships?

16 A No.

17 Q What records does the Callawassie  
18 Island Members Club keep regarding former  
19 members or ex-members? Does it maintain a file  
20 for those people?

21 A Yes.

22 Probably not all of them.

23 Q Not all of the former members or not  
24 all of the records?

25 A Probably both.

COASTAL COURT REPORTING & VIDEO SERVICES  
POST OFFICE BOX 7349 HILTON HEAD, SOUTH CAROLINA 29938  
BEAUFORT - HILTON HEAD - SAVANNAH  
843-525-9600 FAX 843-785-5837



1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 Q What is the retention policy for the  
3 membership documents?

4 A I don't know.

5 Q Who is in charge of maintaining those  
6 files?

7 A Me.

8 Q And what is your policy for how often  
9 you destroy files?

10 A I don't destroy any.

11 Q How are those records kept, as far as  
12 what medium are they in? Are they all paper,  
13 electronic, scanned in?

14 A Paper and they have been scanned in.

15 Q Have they have been scanned in in their  
16 entirety's?

17 A Yes.

18 Q Does CIMC maintain E-mails from board  
19 members?

20 A Yes.

21 Q Do they maintain employee staff  
22 E-mails?

23 A Yes.

24 Q Does CIMC have its own E-mail  
25 addresses?

COASTAL COURT REPORTING & VIDEO SERVICES  
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1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 A Yes.

3 Q And is the staff all given a separate  
4 E-mail address?

5 A Yes.

6 Q How about the board member, do they  
7 also have a separate CIMC address?

8 A No, their own personal E-mail  
9 addresses.

10 Q What about the billing records like the  
11 one's we looked at, would these type of billing  
12 records be maintained in the membership file?

13 A No, they would be in through Jonas.

14 Q Is there a paper copy -- is it your  
15 understanding that there is a paper copy kept of  
16 these type of billing records by the Callawassie  
17 Island Club?

18 A Not by us, no.

19 Q By anybody?

20 A I don't know.

21 Q You are not aware of whether Phoenix  
22 Financial maintains a written copy? A hard  
23 copy?

24 A No.

25 Q Are you aware of any records by these

COASTAL COURT REPORTING & VIDEO SERVICES  
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843-525-9600 FAX 843-785-5837

1 MCDANIEL - COOLER (DIRECT EXAMINATION)

2 defendant that have not been turned over in this  
3 case?

4 A I don't.

5 MR. HAIGHT: By these defendants,  
6 you are reversing who?

7 BY MR. MCDANIEL:

8 Q I am referencing to the Hobson's and  
9 this case? The Defendants in this case?

10 A No.

11 Q You are not aware of any CIMC documents  
12 related to them or their membership that have  
13 not been turned over in the case?

14 A No.

15 Q Give me just one more minute, and I  
16 think that might be all I have. I will just  
17 talk with my client for just a minute.

18 (Whereupon, a short break was  
19 taken.)

20 BY MR. MCDANIEL:

21 Q I believe that is all I have for you,  
22 unless your Counsel wants to ask any questions.

23 MR. HAIGHT: Let me chat with Andy  
24 first outside a minute.

25 (Whereupon, a short break was

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1 MCDANIEL - COOLER (DIRECT EXAMINATION)  
2 taken.)  
3 MR. HAIGHT: Nothing from us.  
4 (Whereupon, the deposition of  
5 Lindsay Cooler was concluded at  
6 11:46 p.m.)  
7  
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1  
2 CERTIFICATE  
3

4 STATE OF SOUTH CAROLINA:

5 BEAUFORT COUNTY:  
6

7 I, Ceil Weser, CSR and Notary

8 Public in and for the above county and state, do  
9 hereby certify that the foregoing testimony was  
10 taken before me at the time and place  
11 herein before set forth; that the witness was by  
12 me first duly sworn to testify to the truth, the  
13 whole truth, and nothing but the truth, that  
14 thereupon the foregoing testimony was later  
15 reduced by computer transcription; and I certify  
16 that this is a true and correct transcript of my  
17 stenographic notes so taken.

18 I further certify that I am not of  
19 counsel to either party, nor interested in the  
20 event of this cause.

21  
22 -----  
23 Ceil Weser, CCR

24 Notary Public

25 Beaufort, South Carolina

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CERTIFICATE NO. 2166

Social Membership Certificate

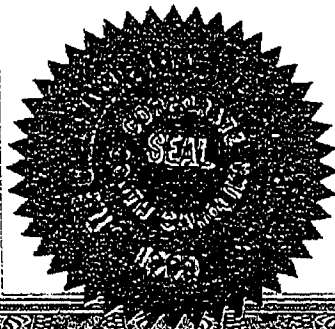
The Callawassie Island Members Club, Inc.

A NON-PROFIT CORPORATION  
INCORPORATED UNDER THE LAWS OF THE STATE OF SOUTH CAROLINA

THIS CERTIFIES THAT William Hobson & Pat Hobson IS THE OWNER OF ONE (1) SOCIAL MEMBERSHIP CERTIFICATE (THE "CERTIFICATE") IN THE CALLAWASSIE ISLAND MEMBERS CLUB, INC. (THE "CLUB"). THIS CERTIFICATE IS TRANSFERABLE ONLY TO THE CLUB. CONSIDERATION FOR THE TRANSFER OF THIS CERTIFICATE WILL BE PAYABLE TO THE HOLDER ONLY WHEN AN INDIVIDUAL WHO IS ACCEPTABLE TO THE CLUB ACQUIRES THIS CERTIFICATE AND PAYS THE REQUIRED PURCHASE PRICE FOR MEMBERSHIP, IN ACCORDANCE WITH THE BY-LAWS OF THE CLUB. ON ALL MATTERS TO BE VOTED UPON BY THE MEMBERS OF THE CLUB, EACH SOCIAL MEMBERSHIP SHALL BE ENTITLED TO TWO (2) VOTES.

THE CLUB SHALL HAVE A LIEN AGAINST EACH EQUITY MEMBERSHIP FOR ANY UNPAID DUES, FEES, CHARGES, OR ASSESSMENTS FOR WHICH THE MEMBER IS RESPONSIBLE. ANY OTHER LIEN PLACED AGAINST SUCH EQUITY MEMBERSHIP SHALL BE JUNIOR TO CLUB'S LIEN.

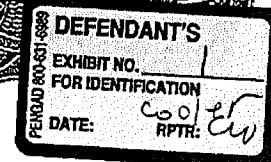
IN WITNESS WHEREOF, THE CLUB HAS CAUSED THIS CERTIFICATE TO BE SIGNED BY ITS DULY AUTHORIZED OFFICERS AND TO BE SEALED WITH ITS SEAL.



DATED: AUGUST 31, 2007

J. A. Johnson  
SECRETARY

Sam Youwood  
PRESIDENT



**IMPORTANT: PLEASE FILL OUT, SIGN, AND RETURN THE FOLLOWING FORM TO:**  
 Callawassie Island Company, Attention Ellen Padgett, 176 Callawassie Drive, Okatie, SC 29910  
 or FAX to 843-987-2121.

**\*\*IF YOU WISH TO ACCRUE YOUR DUES, PLEASE BE SURE TO INITIAL THE APPROPRIATE LINE.**  
**\*\*IF YOU WISH TO REMOVE YOUR NAME FROM THE RESALE LIST, PLEASE SIGN ON THE**  
 APPROPRIATE LINE.

### MEMBERSHIP RESIGNATION / DUES ACCRUAL FORM

Membership # 2

I, William R. Hobson have tendered my resignation to the Callawassie Island Club, Inc. by placing my equity membership on the Membership Resale List. I understand that I am obligated to continue to pay dues and food and beverage minimums to the Club until the membership is reissued by the Club. I may continue to use the Club's facilities as long as my membership account remains current.

I further understand that by resigning from the Callawassie Island Club, Inc., I have placed my membership on the resale waiting list, to be reissued by the Club in accordance with the Club's by-laws. *Should I withdraw my resignation from the Club at any time before the re-issuance of the membership, I understand that I will be assessed a \$2,000 reinstatement fee.*

**OPTION:** I may allow my dues and food and beverage minimums to accrue against and be deducted from the amount to be paid to me when my membership is reissued. Accounts managed in this manner will become past due after 30 days. Dues and charges (including any food and beverage minimums) accrued since the initial time of delinquency will be charged interest at the rate of eighteen percent (18%) compounded annually. Also, membership privileges and credit will be suspended until the membership account is brought current. (See the Plan for the Offering of Memberships, Article XIII, Delinquencies.) *This option is only available as long as Callawassie Island Company owns the Club.*

Please Initial if you are choosing the option to allow your dues to accrue:

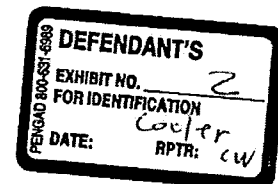
☒ I would like my dues and food and beverage minimums plus any interest on unpaid balances to accrue against the equity of my membership as outlined per the Club Plan.

|                           |                 |       |
|---------------------------|-----------------|-------|
| <u>William R. Hobson</u>  | <u>2/12/01</u>  | _____ |
| Member                    | Date            | SSN#  |
| <u>Patricia C. Hobson</u> | <u>02/12/01</u> | _____ |
| Member                    | Date            | SSN#  |

### MEMBERSHIP REINSTATEMENT: Please sign and return if applicable.

Please REMOVE my membership from the resale list and reinstate my membership. There will be no \$2,000 reinstatement fee if membership is withdrawn from the resale list by March 6, 2001.

|        |       |       |
|--------|-------|-------|
| _____  | _____ | _____ |
| Member | Date  | SSN#  |
| _____  | _____ | _____ |
| Member | Date  | SSN#  |



**CALLAWASSIE ISLAND CLUB**  
 174 CALLAWASSIE DRIVE  
 OKATIE, SC 29909  
 (843) 987-2100

Hobson Production, Inc. 348  
**Statement**

Mr. and Mrs. William Hobson  
 42 Chechessee Bluff Circle  
 Okatie SC 29909

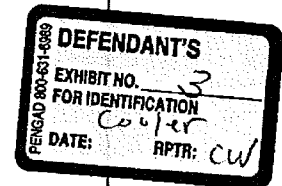
|            |           |
|------------|-----------|
| 02016      | Jul 31/05 |
| MEMBER NO. | DATE      |

AMOUNT PAID \$ \_\_\_\_\_

*Thank You*

Please detach and remit with check made payable to Callawassie Island Club.

| DATE                                                                                         | REF. NO. | DESCRIPTION                    | AMOUNT | SERVICE CHARGE | TAX  | TOTAL   |
|----------------------------------------------------------------------------------------------|----------|--------------------------------|--------|----------------|------|---------|
|                                                                                              |          | Balance Forward                |        |                |      | 371.00  |
| Jul27/05                                                                                     | 27       | Ref. 885927 - Payment Received |        |                |      | -371.00 |
| Jul31/05                                                                                     | 46       | Monthly Dues                   | 321.00 | 0.00           | 0.00 | 321.00  |
| Jul31/05                                                                                     | 46       | Club Amenities Assessment      | 50.00  | 0.00           | 0.00 | 50.00   |
| Please return top portion with payment. Call Joy Smith at (843) 987-2128 with any questions. |          |                                |        |                |      |         |
| EBP<br>8/24/05                                                                               |          |                                |        |                |      |         |
| Totals                                                                                       |          |                                | 371.00 | 0.00           | 0.00 | 371.00  |



|            |              |              |              |              |            |
|------------|--------------|--------------|--------------|--------------|------------|
| 02016      | 371.00       | 0.00         | 0.00         | 0.00         | 371.00     |
| MEMBER NO. | CURRENT BAL. | 30 DAYS BAL. | 60 DAYS BAL. | 90 DAYS BAL. | AMOUNT DUE |

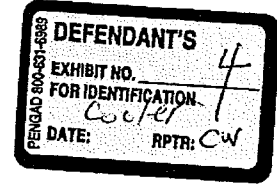
**CALLAWASSIE ISLAND CLUB**

Payment for dues are not deductible as charitable contributions.  
 Outstanding balances are due within 30 days of statement date. Unpaid balances will be assessed a late fee of 1.5% per month, calculated in accordance with Club By-Laws.  
 PRINTED (843) 525-9993



**CALLAWASSIE ISLAND CLUB**  
 174 CALLAWASSIE DRIVE  
 OKATIE, SC 29909  
 (843) 987-2100

Hobson Production doc 452  
**Statement**



Mr. and Mrs. William Hobson  
 42 Chechessee Bluff Circle  
 Okatie SC 29909

|            |           |
|------------|-----------|
| 02016      | Jul 31/07 |
| MEMBER NO. | DATE      |

AMOUNT PAID \$ \_\_\_\_\_

*Thank You*

Please detach and remit with check made payable to Callawassie Island Club.

| DATE                                                                                               | REF. NO. | DESCRIPTION                    | AMOUNT | SERVICE CHARGE | TAX  | TOTAL   |
|----------------------------------------------------------------------------------------------------|----------|--------------------------------|--------|----------------|------|---------|
| Jul30/07                                                                                           |          | Balance Forward                |        |                |      | 388.00  |
| Jul31/07                                                                                           | 60       | Ref. 6218 - Payment Received - |        |                |      | -388.00 |
| Jul31/07                                                                                           | 60       | Monthly Dues                   | 338.00 | 0.00           | 0.00 | 338.00  |
| Jul31/07                                                                                           | 60       | Club Amenities Assessment      | 50.00  | 0.00           | 0.00 | 50.00   |
| <p>For questions contact Joy Smith at (843) 987-2128 or<br/>           jsmith@chaffinlight.com</p> |          |                                |        |                |      |         |
| <p><i>EBP: 08/29/07</i></p>                                                                        |          |                                |        |                |      |         |
| Totals                                                                                             |          |                                | 388.00 | 0.00           | 0.00 | 388.00  |

|            |              |              |              |              |            |
|------------|--------------|--------------|--------------|--------------|------------|
| 02016      | 388.00       | 0.00         | 0.00         | 0.00         | 388.00     |
| MEMBER NO. | CURRENT BAL. | 30 DAYS BAL. | 60 DAYS BAL. | 90 DAYS BAL. | AMOUNT DUE |

**CALLAWASSIE ISLAND CLUB**

Payment for dues are not deductible as charitable contributions.  
 Outstanding balances are due within 30 days of statement date. Unpaid balances will be assessed a late fee of 1.5% per month, calculated in accordance with Club By-Laws.  
 PAYMENT (813) 523-5993

# CALLAWASSIE ISLAND CLUB

174 CALLAWASSIE DRIVE  
OKATIE, SC 29909  
(843) 987-2100

Mr. and Mrs. Bill Hobson  
42 Chechessee Bluff Circle  
Okatie SC 29909

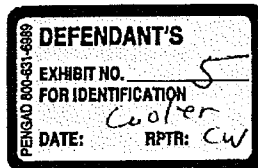
|            |           |
|------------|-----------|
| 02582      | Jul 31/05 |
| MEMBER NO. | DATE      |

AMOUNT PAID \$

*Thank You*

Please detach and remit with check made payable to Callawassie Island Club.

| DATE                                                                                         | REF. NO. | DESCRIPTION                    | AMOUNT | SERVICE CHARGE | TAX  | TOTAL    |
|----------------------------------------------------------------------------------------------|----------|--------------------------------|--------|----------------|------|----------|
|                                                                                              |          | Balance Forward                |        |                |      | 567.20   |
| Jul10/05                                                                                     | 048779   | Grill Room                     | 11.50  | 2.07           | 0.81 | 14.38    |
| Jul24/05                                                                                     | 049199   | Grill Room                     | 13.50  | 2.43           | 0.95 | 16.88    |
| Jul27/05                                                                                     | 28       | Ref. 885928 - Payment Received |        |                |      | -542.60  |
| Jul31/05                                                                                     | 46       | Monthly Dues                   | 468.00 | 0.00           | 0.00 | 468.00   |
| Jul31/05                                                                                     | 46       | Club Amenities Assessment      | 50.00  | 0.00           | 0.00 | 50.00    |
| Please return top portion with payment. Call Joy Smith at (843) 987-2128 with any questions. |          |                                |        |                |      | 573.86   |
|                                                                                              |          |                                |        |                |      | \$24.60  |
|                                                                                              |          |                                |        |                |      | \$549.26 |
| Unspent Food & Beverage Minimum for the period \$ 205.35                                     |          |                                |        |                |      |          |
| Totals                                                                                       |          |                                | 543.00 | 4.50           | 1.76 | 573.86   |



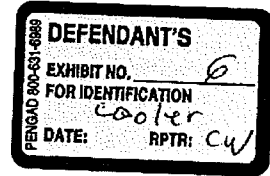
|            |              |              |              |              |            |
|------------|--------------|--------------|--------------|--------------|------------|
| 02582      | 549.26       | 24.60        | 0.00         | 0.00         | 573.86     |
| MEMBER NO. | CURRENT BAL. | 30 DAYS BAL. | 60 DAYS BAL. | 90 DAYS BAL. | AMOUNT DUE |

## CALLAWASSIE ISLAND CLUB

Payment for dues are not deductible as charitable contributions.  
Outstanding balances are due within 30 days of statement date. Unpaid balances will be assessed a late fee of 1.5% per month, calculated in accordance with Club By-Laws.  
PINPOINT (843) 525-9993

**CALLAWASSIE ISLAND CLUB**  
174 CALLAWASSIE DRIVE  
OKATIE, SC 29909  
(843) 987-2100

Hobson Production doc 456  
**Statement**



Mr. and Mrs. Bill Hobson  
42 Chechessee Bluff Circle  
Okatie SC 29909

02582  
MEMBER NO.

Aug 31/07  
DATE

AMOUNT PAID \$

*Thank You*

Please detach and remit with check made payable to Callawassie Island Club.

| DATE                                                                           | REF. NO. | DESCRIPTION                            | AMOUNT    | SERVICE CHARGE | TAX  | TOTAL   |
|--------------------------------------------------------------------------------|----------|----------------------------------------|-----------|----------------|------|---------|
|                                                                                |          | Balance Forward                        |           |                |      | 717.24  |
| Aug 5/07                                                                       | 079973   | Grill Room                             | 18.00     | 3.24           | 1.62 | 22.86   |
| Aug 5/07                                                                       | 079973   | Comp. Meals                            |           |                |      | -3.50   |
| Aug 7/07                                                                       | 077194   | Event: Men's Day 8-7-07 -              | 5.00      | 0.00           | 0.00 | 5.00    |
| Aug14/07                                                                       | 077403   | Pro Shop                               | 5.00      | 0.00           | 0.00 | 5.00    |
| Aug15/07                                                                       | 077439   | Pro Shop                               | 5.00      | 0.00           | 0.00 | 5.00    |
| Aug17/07                                                                       | 080378   | Grill Room                             | 3.75      | 0.68           | 0.34 | 4.77    |
| Aug22/07                                                                       | 077599   | Event: Men's 9 Hole - Pr               | 5.00      | 0.00           | 0.00 | 5.00    |
| Aug24/07                                                                       | 080714   | Grill Room                             | 3.75      | 0.68           | 0.34 | 4.77    |
| Aug26/07                                                                       | 080826   | Grill Room                             | 21.70     | 3.91           | 1.95 | 27.56   |
| Aug26/07                                                                       | 080826   | Comp. Meals                            |           |                |      | -21.70  |
| Aug28/07                                                                       | 077736   | Event: mens day - Pro Sho              | 5.00      | 0.00           | 0.00 | 5.00    |
| Aug28/07                                                                       |          | Ref. 6228 - Payment Received -         |           |                |      | -717.24 |
| Aug31/07                                                                       | 74       | Monthly Dues                           | 492.00    | 0.00           | 0.00 | 492.00  |
| Aug31/07                                                                       | 74       | Trail Fee                              | 90.00     | 0.00           | 0.00 | 90.00   |
| Aug31/07                                                                       | 74       | Club Amenities Assessment              | 50.00     | 0.00           | 0.00 | 50.00   |
| Aug31/07                                                                       | 081085   | Grill Room                             | 7.87      | 1.42           | 0.71 | 10.00   |
| For questions contact Joy Smith at (843)987-2128 or<br>jsmith@chaffinlight.com |          |                                        |           |                |      |         |
|                                                                                | Unspent  | Food & Beverage Minimum for the period | \$ 108.59 |                |      |         |
|                                                                                |          | Totals                                 | 712.07    | 9.93           | 4.96 | 701.76  |

*EBP: 09/27/07*

| 02582      | 701.76       | 0.00         | 0.00         | 0.00         | 701.76     |
|------------|--------------|--------------|--------------|--------------|------------|
| MEMBER NO. | CURRENT BAL. | 30 DAYS BAL. | 60 DAYS BAL. | 90 DAYS BAL. | AMOUNT DUE |

**CALLAWASSIE ISLAND CLUB**

Payment for dues are not deductible as charitable contributions.  
Outstanding balances are due within 30 days of statement date. Unpaid balances will be assessed a late fee of 1.5% per month, calculated in accordance with Club By-Laws.  
PINPOINT (843) 523-9993

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Hobson, William  
Server: Catherine  
Area: Grill Room  
Table#: 3 Covers: 1  
Chit #: 01079973  
Date: Aug 5/07 Time: 3:19pm  
Mimosa 3.50  
2 Coffee 2.50  
Eggs Benedict 6.75  
Omelet 5.25  
Sub-Total: 18.00  
Service Charge 3.24  
Sales Tax 1.26  
Bft Hosp. Tax 0.36  
Chit Total: \$22.86  
Comp. Meals \$3.50-  
Member Charge \$19.36-  
Member Number: 02582  
Signature: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Hobson, William  
Server: Teresa  
Area: Grill Room  
Table#: 56 Covers: 2  
Chit #: 01080826  
Date: Aug 26/07 Time: 1:30pm  
Callawassie Wrap 7.00  
Blue Plate Spec. #1 9.95  
Diet Coke 1.25  
Mimosa 3.50  
Sub-Total: 21.70  
Service Charge 3.91  
Sales Tax 1.52  
Bft Hosp. Tax 0.43  
Chit Total: \$27.56  
Comp. Meals \$21.70-  
Member Charge \$5.86-  
Member Number: 02582  
Signature: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Hobson, William  
Server: Eric  
Area: Pro Shop  
Covers: 1  
Chit #: 05077403  
Date: Aug 14/07 Time: 8:59am  
Tournament Fees 5.00  
Sub-Total: 5.00  
Chit Total: \$5.00  
Quick Mem Charge \$5.00-  
Member Number: 02582  
Signature: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Hobson, William  
Server: Patricia  
Area: Grill Room  
Table#: 62 Covers: 1  
Chit #: 01080378  
Date: Aug 17/07 Time: 2:40pm  
Soup of Day Cup 2.50  
Diet Coke 1.25  
Sub-Total: 3.75  
Service Charge 0.68  
Sales Tax 0.26  
Bft Hosp. Tax 0.08  
Chit Total: \$4.77  
Member Charge \$4.77-  
Member Number: 02582  
Signature: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Hobson, William  
SERVER: Karrie  
Area: Grill Room  
Table#: 65 Covers: 1  
Chit #: 01081085  
Original Chit Date: Aug 31/07  
Date: Sep 1/07 Time: 3:38pm  
CROA Lunch 7.87  
Sub-Total: 7.87  
Service Charge 1.42  
Sales Tax 0.55  
Bft Hosp. Tax 0.16  
Chit Total: \$10.00  
Member Charge \$10.00-  
Member Number: 02582  
Signature: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Hobson, William  
Server: Eric  
Area: Pro Shop  
Covers: 1  
Chit #: 05077439  
Date: Aug 15/07 Time: 8:58am  
Tournament Fees 5.00  
Sub-Total: 5.00  
Chit Total: \$5.00  
Quick Mem Charge \$5.00-  
Member Number: 02582  
Signature: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Member: Hobson, Willi  
Server: Eric  
Area: Pro Shop  
Covers: 1  
Chit #: 05077599  
Date: Aug 22/07 Time: 9:50am  
Event: Men's 9 Hole  
Tournament Fees 5.00  
Sub-Total: 5.00  
Chit Total: \$5.00  
Member Number: 02582  
Signature: Member: Hobson, William

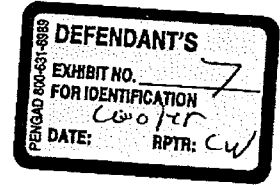
Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Hobson, William  
Server: Deneka  
Area: Grill Room  
Table#: 62 Covers: 2  
Chit #: 01080714  
Date: Aug 24/07 Time: 2:01pm  
Soup of Day Cup 2.50  
Diet Coke 1.25  
Sub-Total: 3.75  
Service Charge 0.68  
Sales Tax 0.26  
Bft Hosp. Tax 0.08  
Chit Total: \$4.77  
Member Charge \$4.77-  
Member Number: 02582  
Signature: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Member: Hobson, Willi  
Server: Eric  
Area: Pro Shop  
Covers: 1  
Chit #: 05077194  
Date: Aug 7/07 Time: 8:45am  
Event: Men's Day 8-7-07  
Tournament Fees 5.00  
Sub-Total: 5.00  
Chit Total: \$5.00  
Member Number: 02582  
Signature: Member: Hobson, William

Callawassie Island Club  
-----  
Chit Details  
Member: 02582 Member: Hobson, Willi  
Server: Eric  
Area: Pro Shop  
Covers: 1  
Chit #: 05077736  
Date: Aug 28/07 Time: 8:49am  
Event: mens day  
Tournament Fees 5.00  
Sub-Total: 5.00  
Chit Total: \$5.00  
Member Number: 02582  
Signature: Member: Hobson, William

**CALLAWASSIE ISLAND CLUB**  
 174 CALLAWASSIE DRIVE  
 OKATIE, SC 29909  
 (843) 987-2100

Hobson Production doc 458  
**Statement**



Mr. & Mrs. William Hobson  
 42 Chechessee Bluff Circle  
 Okatie, SC 29909

01714  
 MEMBER NO.

Aug 31/07  
 DATE

AMOUNT PAID \$ \_\_\_\_\_

*Thank You*

Please detach and remit with check made payable to Callawassie Island Club.

| DATE                                                                         | REF. NO. | DESCRIPTION                                    | AMOUNT    | SERVICE CHARGE | TAX  | TOTAL  |
|------------------------------------------------------------------------------|----------|------------------------------------------------|-----------|----------------|------|--------|
| Aug31/07                                                                     | 74       | Monthly Dues                                   | 225.00    | 0.00           | 0.00 | 225.00 |
| Aug31/07                                                                     | 74       | Club Amenities Assessment                      | 44.00     | 0.00           | 0.00 | 44.00  |
| For questions contact Joy Smith at (843) 987-2128 or jsmith@chaffinlight.com |          |                                                |           |                |      |        |
| EBP:<br>09/22/07                                                             |          |                                                |           |                |      |        |
|                                                                              |          |                                                |           |                |      |        |
|                                                                              |          | Unspent Food & Beverage Minimum for the period | \$ 500.00 |                |      |        |
|                                                                              |          | Totals                                         | 269.00    | 0.00           | 0.00 | 269.00 |

|            |              |              |              |              |            |
|------------|--------------|--------------|--------------|--------------|------------|
| 01714      | 269.00       | 0.00         | 0.00         | 0.00         | 269.00     |
| MEMBER NO. | CURRENT BAL. | 30 DAYS BAL. | 60 DAYS BAL. | 90 DAYS BAL. | AMOUNT DUE |

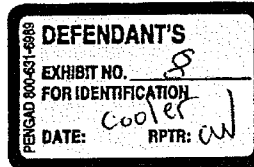
**CALLAWASSIE ISLAND CLUB**

Payment for dues are not deductible as charitable contributions.  
 Outstanding balances are due within 30 days of statement date. Unpaid balances will be assessed a late fee of 1.5% per month, calculated in accordance with Club By-Laws.  
 PINPOINT (813) 525-9593

# CALLAWASSIE ISLAND CLUB

174 CALLAWASSIE DRIVE  
OKATIE, SC 29909  
(843) 987-2128

Hobson Production doc 582  
**Statement**



Mr. and Mrs. Bill Hobson  
42 Chechessee Bluff Circle  
Okatie SC 29909

|            |           |
|------------|-----------|
| 02582      | Jan 31/11 |
| MEMBER NO. | DATE      |

AMOUNT PAID \$

Please detach and remit with check made payable to Callawassie Island Club.

*Thank You*

| DATE                                                                      | REF. NO. | DESCRIPTION                            | AMOUNT    | SERVICE CHARGE | TAX  | TOTAL   |
|---------------------------------------------------------------------------|----------|----------------------------------------|-----------|----------------|------|---------|
|                                                                           |          | Balance Forward                        |           |                |      | 779.83  |
| Jan 4/11                                                                  | 123119   | Event: CMGA 1-4-11 - Pro               | 5.00      | 0.00           | 0.00 | 5.00    |
| Jan 4/11                                                                  | 139005   | Grill Room                             | 4.20      | 0.76           | 0.37 | 5.33    |
| Jan 7/11                                                                  | 123274   | Event: 2011 Handicap Char              | 25.00     | 0.00           | 0.00 | 25.00   |
| Jan28/11                                                                  | 140046   | Grill Room                             | 4.20      | 0.76           | 0.37 | 5.33    |
| Jan31/11                                                                  | 11       | Monthly Dues                           | 605.00    | 0.00           | 0.00 | 605.00  |
| Jan31/11                                                                  | 11       | Club Amenities Assessment              | 50.00     | 0.00           | 0.00 | 50.00   |
| Jan31/11                                                                  | 11       | Golf Course Renovation As              | 50.00     | 0.00           | 0.00 | 50.00   |
| Jan31/11                                                                  |          | Ref. 6667 - Payment Received -         |           |                |      | -779.83 |
| For questions contact Carrie Barth at (843) 987-3310 or cbarth@pfs-sc.com |          |                                        |           |                |      |         |
| check # 5921<br>\$40.66<br>2/17/11                                        |          |                                        |           |                |      |         |
|                                                                           | Unspent  | Food & Beverage Minimum for the period | \$ 491.60 |                |      |         |
|                                                                           |          | Totals                                 | 743.40    | 1.52           | 0.74 | 745.66  |

|            |              |              |              |              |                |
|------------|--------------|--------------|--------------|--------------|----------------|
| 02582      | 745.66       | 0.00         | 0.00         | 0.00         | 745.66         |
| MEMBER NO. | CURRENT BAL. | 30 DAYS BAL. | 60 DAYS BAL. | 90 DAYS BAL. | ▲ AMOUNT DUE ▲ |

CALLAWASSIE ISLAND CLUB

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PRIPG/11 (6/11) 525-5207

-705.00

40.66

# CALLAWASSIE ISLAND CLUB

174 CALLAWASSIE DRIVE  
OKATIE, SC 29909  
(843) 987-2128

Hobson Production doc 587  
**Statement**

*This might be the  
ACCOUNT FROM OUR  
OLD SOCIAL  
Membership*

Mr. & Mrs. William Hobson  
42 Chechessee Bluff Circle  
Okatie, SC 29909

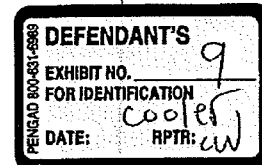
|            |           |
|------------|-----------|
| 01714      | Apr 30/12 |
| MEMBER NO. | DATE      |

AMOUNT PAID \$ \_\_\_\_\_

*Thank You*

Please detach and remit with check made payable to Callawassie Island Club.

| DATE     | REF. NO. | DESCRIPTION                                                                  | AMOUNT   | SERVICE CHARGE | TAX  | TOTAL    |
|----------|----------|------------------------------------------------------------------------------|----------|----------------|------|----------|
| Apr30/12 | L        | March Legal Fees                                                             | 2,450.75 | 0.00           | 0.00 | 2,450.75 |
|          |          | For questions contact Carrie Barth at<br>(843) 987-3310 or cbarth@pfa-sc.com |          |                |      |          |
|          |          | Unspent Food & Beverage Minimum for the period                               | \$ 0.00  |                |      |          |
|          |          | Totals                                                                       | 2,450.75 | 0.00           | 0.00 | 2,450.75 |



|            |              |              |              |              |                |
|------------|--------------|--------------|--------------|--------------|----------------|
| 01714      | 2,450.75     | 0.00         | 0.00         | 0.00         | 2,450.75       |
| MEMBER NO. | CURRENT BAL. | 30 DAYS BAL. | 60 DAYS BAL. | 90 DAYS BAL. | ▲ AMOUNT DUE ▲ |

## CALLAWASSIE ISLAND CLUB

Payment for dues are not deductible as charitable contributions.  
Outstanding balances are due within 30 days of statement date. Unpaid balances will be assessed a late fee of 1.5% per month, calculated in accordance with Club By-Laws.  
PFIPO211 (843) 525-9223

1 STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS

2 COUNTY OF BEAUFORT

3 CALLAWASSIE ISLAND

MEMBERS CLUB, INC.,

4

Plaintiff,

5

vs.

CASE NO. 2009-CP-07-5410

6

2009-CP-07-4648

A. APPLGATE, M. AULTON,

2009-CP-07-3055

7

T. BAYLESS, R. DENNIS,

2009-CP-07-3322

and R. MERCIER,

2009-CP-07-3323

8

Defendants.

9

10 DEPOSITION OF: ELLEN DAVIS PADGETT

11 DATE: August 31, 2012

12 TIME: 10:13 a.m.

13 LOCATION: One Beaufort Town Center

2015 Boundary Street, Third Floor

14 Beaufort, SC

15 TAKEN BY: Counsel for the Defendants

16 REPORTED BY: TRISHA M. THOMAS

17

18 A. WILLIAM ROBERTS, JR. & ASSOCIATES

19 Fast, Accurate & Friendly

20 Charleston, SC Hilton Head, SC Myrtle Beach, SC

(843) 722-8414 (843) 785-3263 (843) 839-3376

21

22 Columbia, SC Greenville, SC Charlotte, NC

(803) 731-5224 (864) 234-7030 (704) 573-3919

23

24

25



## 1 APPEARANCES OF COUNSEL:

## 2 ATTORNEYS FOR THE PLAINTIFF

3 CALLAWASSIE ISLAND MEMBERS CLUB, INC.:

4 HOWELL, GIBSON &amp; HUGHES, P.A.

5 BY: WILLIAM T. YOUNG, III

6 25 Rue Du Bois

7 Beaufort, SC 29901

8 (843) 522-2400

9 Hghpa@islc.net

10 MINOR, HAIGHT &amp; ARUNDELL, P.C.

11 BY: EHRICK K. HAIGHT, JR.

12 The Clarendon Building

13 1000 William Hilton Parkway, Suite 203

14 Hilton Head, SC 29928

15 (843) 785-8040

16 Rick@mhalawfirm.com

## 17 ATTORNEYS FOR THE DEFENDANTS

18 A. APPLGATE, M. AULTON, T. BAYLESS,

19 R. DENNIS, and R. MERCIER:

20 LAW OFFICE OF BRIAN MCDANIEL, LLC

21 BY: BRIAN D. MCDANIEL

22 2015 Boundary Street, Suite 216

23 Beaufort, SC 29902

24 (843) 379-5117

25 Bmcdaniel@attorneymcdaniel.com

(INDEX AT REAR OF TRANSCRIPT)

1 ELLEN DAVIS PADGETT

2 being first duly sworn, testified as follows:

3 EXAMINATION

4 BY MR. MCDANIEL:

5 Q. Good morning --

6 A. Good morning.

7 Q. -- Ms. Padgett. My name is Brian  
8 McDaniel. As I said, I'm representing a number of  
9 defendants, people that have been sued by  
10 Callawassie Island Members Club.

11 A. Okay.

12 Q. And I'm here to take your deposition  
13 this morning. Have you ever given a deposition  
14 before?

15 A. No, sir.

16 Q. Okay. The process is pretty  
17 straightforward. I will ask you questions, and you  
18 can answer to the best of your ability to answer  
19 those questions.

20 A. Okay.

21 Q. You do have two attorneys here, and  
22 they may object to those questions. If it's for  
23 legal reasons, they can object, and those are  
24 typically made for the record and you would still  
25 go ahead and answer the question.

1           A.    Okay.

2           Q.    If they want you not to answer, they  
3 will tell you don't answer the question, and that  
4 will be your instruction not to answer. Otherwise,  
5 you do your best just -- even if there's an  
6 objection to answer the question.

7           A.    Okay.

8           Q.    If you don't understand what I'm asking  
9 or there's a question about it, you can certainly  
10 tell me that. If you find the questions to be  
11 confusing, you don't understand what I'm asking  
12 you, just ask me for help.

13          A.    Okay.

14          Q.    You know, tell me to clarify or repeat  
15 it or whatever you need to do, but don't direct  
16 those questions to your attorney. Your attorneys  
17 can't direct you as to what I meant by the question  
18 or that type of thing.

19          A.    They're not my attorneys though, right?

20          Q.    Well, that's -- they have represented  
21 they are your attorneys. They're representing you  
22 in -- as far as this action goes because of your  
23 previous employment.

24          A.    Oh, okay.

25          Q.    They may not be your personal attorney

1 but as far as you represent -- your representations  
2 of the company. And I'll let them correct that how  
3 they want to correct it.

4 A. I understand.

5 MR. HAIGHT: It's my understanding she  
6 has never worked for the club directly.

7 MR. YOUNG: Yeah. After talking to her  
8 that was what we determined.

9 BY MR. MCDANIEL:

10 Q. Okay. Well, then they're not your  
11 attorneys and then they won't be directing you not  
12 to answer, so don't worry about that.

13 If you want to take a break, if you  
14 want to get some water, you can do that. Like I  
15 said, it's not a marathon. It shouldn't take that  
16 long anyway --

17 A. Okay.

18 Q. -- but if you're uncomfortable for some  
19 reason, let us know, and we can work to fix  
20 whatever the -- whatever that is.

21 A. Okay.

22 Q. As I said, I'm -- my name is Brian  
23 McDaniel. Let me get, first, your full name.

24 A. Ellen Davis Padgett.

25 Q. Okay. And where do you currently live?

1           A.    I live at 52 Echotango Road in Okatie,  
2   South Carolina, 29909.  It's out there by Lemon  
3   Island Marina.

4           Q.    Okay.  And how long have you lived  
5   there?

6           A.    Since 1980.

7           Q.    Okay.  And are you from the Beaufort  
8   County area?

9           A.    I am, Beaufort, yeah.

10          Q.    Okay.  And tell me a little bit about  
11   your background as far as where did you go to high  
12   school and then what were your jobs.  Just  
13   summarize.  I'm not looking for every --

14          A.    Okay.  Got you.

15          Q.    -- every summer job or everything --  
16   you know, everything you've done but kind of your  
17   career path.

18          A.    I grew up on Lady's Island.  I went to  
19   all the Beaufort schools:  Beaufort Elementary,  
20   Beaufort Junior High, Beaufort High School.  Then I  
21   went my first year of college at USC in Beaufort,  
22   and I went the next year to college at Clemson, and  
23   then I finished my last two years of college at the  
24   College of Charleston, got a bachelor of science  
25   degree in biology.

1           After a couple of meaningless jobs, I  
2   got a job with wild -- the Wildlife and Marine  
3   Resources Department of South Carolina, which I had  
4   for eight years. Then Reagan cut the funds that  
5   were funding my job and I didn't want to move to  
6   Charleston, so had another job for a little bit,  
7   and then I -- in April 1 of 1985 I started working  
8   at Callawassie Island.

9           Q.   And when you started to work in April  
10   of 1985, what was your profession there?

11          A.   I started off as working weekends, and  
12   then it go to be a full-time job about probably --  
13   I don't know -- a year after I started.

14          Q.   And what were you doing? What was your  
15   job?

16          A.   It was the beginning of the sales  
17   office.

18          Q.   Okay. Who was your employer out there?

19          A.   At that time it was -- my employer, I  
20   guess you could say, was George Oetterli, who was  
21   the manager of Callawassie for the owner, who was  
22   Wilhelm Stein in Germany. He bought the island and  
23   started the development of it. George Oetterli was  
24   an Austrian he brought over, and Wolfgang Saenger  
25   was a broker in charge who was also German, and

1       that was the beginning of Callawassie Island  
2       development.

3               Q.    Okay.  And after that what -- did your  
4       position -- you stay in that same position, or did  
5       it change?

6               A.    I stayed in the -- really I stayed in  
7       the same position as running the sales office.  We  
8       established the sales office and ran it, and it was  
9       wonderful when computers came in because we had to  
10      do everything by hand until then, but, yeah, I  
11      always -- pretty much always stayed the sales  
12      office manager.

13               But there were times when I did other  
14      things as well.  Like at one point I was assistant  
15      to the general manager.  I did that for a year and  
16      a half or two years, and that was -- helped out in  
17      the architectural review committee.  I was the  
18      assistant to the chairman of the architectural  
19      review committee for a long time.

20               And there were lots of things.  The  
21      membership secretary.  I wasn't an official  
22      membership secretary, but they called me the  
23      membership secretary, and I handled the memberships  
24      for a long time.

25               Q.    Okay.

1           A.   And at one point during this time I  
2   went from being the sales office person to trying  
3   to be a real estate agent, and that was in 1990,  
4   and I didn't do so good at that, so I came back to  
5   work for them after they asked me to, back in the  
6   sales office.

7           Q.   Okay.  So you actually quit -- kind of  
8   quit your job with Callawassie and went into a kind  
9   of a private or your --

10          A.   I still kept my same office in the same  
11   building working with the same people.

12          Q.   Okay.  But your position changed --

13          A.   Right.

14          Q.   -- to a real estate agent?

15          A.   Right.

16          Q.   Okay.  And who at that time was your  
17   employer?  Did it stay the same as you're --

18          A.   Yeah.  Well, at that time -- the real  
19   estate agents are considered --

20          Q.   Independent contractors?

21          A.   -- independent contractors.

22          Q.   And when you were hired back --

23          A.   Uh-huh.

24          Q.   -- who was it that was hiring you back?  
25   Did they have a company name at that point?



1           A.    CIC, Callawassie Island Company, but  
2   they had a lot of different -- like they had  
3   Callawassie Island Company, LLP, and then they had  
4   Callawassie DEV Corporation, so the checks didn't  
5   always say the same thing.

6           Q.    Okay.

7           A.    But -- but it was CIC most of the time.

8           Q.    Okay. I guess go ahead and tell me  
9   kind of the rest. When you came back, what was  
10   your -- did you have an official position when you  
11   came back, title?

12          A.    Back as office manager, sales  
13   assistant.

14          Q.    Okay.

15          A.    Sales administrative assistant.

16          Q.    And is that the position you stayed in,  
17   or did that change?

18          A.    No. That was always -- that was my  
19   basic thing practically the whole time I was there.

20          Q.    Okay.

21          A.    And then these other things were kind  
22   of like part of the job, you know, like the  
23   membership.

24          Q.    Things got --

25          A.    You know how it is.

1 Q. Right.

2 A. You get like this but your title stays  
3 and your paycheck stays the same.

4 Q. Right. Sure. If you're good at what  
5 you do, people tend to give you more and more work  
6 to do.

7 A. That's right. That's right.

8 Q. So how long were you in that position,  
9 or how long did you stay with CIC?

10 A. Till they quit, till they left the  
11 building.

12 Q. When was that? Do you know?

13 A. That was -- I tried to look it up in my  
14 checks last night, but my records didn't go back  
15 that far in my house, but I've been where I am at  
16 Spring Island Realty for four, a little over four  
17 years.

18 And then before that Dan Liese, in  
19 RE/MAX Island, had taken over the Callawassie  
20 welcome center. When the developer pulled out and  
21 the property owners took it over, they let Dan  
22 Liese come in there, and I was with him for three  
23 years.

24 Q. Okay.

25 A. So everything before that, so it's

1       been --

2               Q.    About seven years?

3               A.    Yeah.  Rough -- yeah.  Pretty close.

4               Q.    Okay.  So maybe 2005 or so?

5               A.    Yeah.  You'd be real close with 2005.

6               Q.    And tell me what happened with the  
7 developer leaving.  Why did the developer leave?

8               A.    It was my understanding that the  
9 property -- see, the property owners had taken over  
10 the running of the island and so forth.  It was  
11 turn -- everything was turned over to the property  
12 owners, and there was a period after that where  
13 they were -- the developer was assisting them with  
14 the takeover.

15               They were sitting in on meetings, and  
16 they took -- they started doing their own  
17 committees and so forth, and it was a gradual kind  
18 of takeover.

19               Q.    Okay.  Was this the property owners  
20 association or the club or both?

21               A.    Well, really both.

22               Q.    Okay.  When was the club started?

23               A.    The club -- well, you know, that's a  
24 really good question.  They already had the club  
25 when I went to work for them.

1 Q. Okay.

2 A. But that too evolved into the

3 Callawassie Island Members Club.

4 Q. Okay.

5 A. But I could give you --

6 Q. So in '85 there was already some

7 club --

8 A. Yeah.

9 Q. It was already --

10 A. Uh-huh.

11 Q. Was it a golf club at that point?

12 A. It was -- it was an everything club:

13 Tennis -- tennis, swimming, all that. But we

14 didn't have any tennis courts or anything yet.

15 Q. Okay. When were the facilities built?

16 Do you know? The tennis courts, the golf course,

17 do you know when these were actually constructed?

18 A. Well --

19 Q. Were they there when you --

20 A. In '85 roughed in -- they had roughed

21 in the golf course, and they had just finished

22 making the first nine. The pro shop was a villa

23 that had been built.

24 Q. Okay. Have a swimming pool at that

25 point, do you think?

1           A.    I can't remember the swimming pool. I  
2 think they had built the River Club by '85, and  
3 there was a swimming -- there was a swimming pool  
4 down there.

5           Q.    Okay. Can you tell me the progression  
6 of what else was added during the time you were  
7 there or --

8           A.    The -- the clubhouse -- oh, jeez.

9           Q.    It's kind of a long time to go back.

10          A.    Yeah. It's like, you know, you -- I  
11 really kept my head down so to speak most of the  
12 time. I didn't leave the sales office much, so  
13 it's hard for me to remember --

14          Q.    That's fine.

15          A.    -- what was built when.

16          Q.    I'm just trying to get a picture of  
17 what they had when you got there versus --

18          A.    When I had got there, there was about  
19 50 lots been sold. There were four houses built on  
20 the island. There were two duplex villas that had  
21 been built, and the golf pro shop was in one of the  
22 villas, and the sales office we moved to the other  
23 villa, and we were like that for a couple years.

24          Q.    Okay. What year did the members take  
25 over the club? The Callawassie Island Members

1 Club, when did that start?

2 A. In 1999 the -- I don't know why I think  
3 it was both of them. The members -- no. The  
4 property owners took over first. The POA took over  
5 first. I think it was in 1999. And the  
6 Callawassie Island Members Club wasn't long after  
7 that. I think three -- maybe three years after  
8 that.

9 Q. Okay.

10 A. I'm not sure about those dates.

11 Q. Sure. And that's fine.

12 A. It's all a blur.

13 Q. Right. And I've got some things that  
14 might help --

15 A. Good.

16 Q. -- might help you remember a little bit  
17 and see if you agree.

18 A. Okay.

19 Q. I just want to see if this -- when you  
20 got there, were there members of the club already  
21 -- were there already persons that were members of  
22 the club?

23 A. Yes.

24 Q. And who was in charge of member records  
25 when you --

1           A.    Melva Hickey.

2           Q.    Okay.  And is that a function that you  
3 took over at some point, the club records and the  
4 club member director?

5           A.    It was a long time after that.

6           Q.    Okay.  When do you think you --

7           A.    It was --

8           Q.    -- became in charge of that or if you  
9 did?

10          A.    Well, when they left and we moved our  
11 office from -- we went into a private home for our  
12 sales office.  We started out in the trailer, then  
13 we went to the villa.  We were there for -- in the  
14 villa for a short time, couple years at most, and  
15 from there we went into Mr. Montague's house.

16                And from there they built the welcome  
17 center where it is now before you get on the  
18 island, and we moved -- that I think was when all  
19 the records were combined, when the records I had  
20 from the real estate portion of it, but the records  
21 that they had never made it into my office.  I  
22 think they may have gone into the accounting  
23 office, in the garage is where I think all of those  
24 went.  I don't have any of those or never saw or  
25 worked with any of those membership files.

1           Q.    Okay.  What point did you become -- or  
2    did you ever become sort of the keeper of the  
3    membership records?

4           A.    I really wasn't a keep -- the  
5    professional keeper of the membership records.  
6    What we did was we kept -- when we sold  
7    memberships, we kept copies of whatever people  
8    signed in the same file that their properties were  
9    purchased.

10          Q.    Okay.

11          A.    If the club kept any records where  
12    their building was, I never saw them and never know  
13    -- know any -- I don't know anything about those,  
14    so the -- really the only records I kept was when  
15    they purchased it or if some -- or if a seller was  
16    selling, anything would go in their files.

17          Q.    Related to the property?

18          A.    Related to the property and the first  
19    sale of the member -- and the sales of the  
20    membership.

21          Q.    Okay.  What if you had a member who  
22    didn't buy property, just somebody who wasn't a  
23    property owner but wanted to buy a membership?  
24    Would that --

25          A.    I think --



1 Q. Is that something you would have --

2 A. Yeah. We would have kept that file,  
3 but there was only one person, I think, that did  
4 that during the time I was at Callawassie.

5 Q. Do you remember who that was?

6 A. David Carroll.

7 Q. Okay. Are you familiar with any of the  
8 auctions that they had --

9 A. Uh-huh.

10 Q. -- related to the property?

11 A. I was there.

12 Q. Okay. How many houses was that done?

13 A. Once.

14 Q. One auction?

15 A. Uh-huh.

16 Q. What was the setup of that auction as  
17 far as what -- were they any incentives? What was  
18 the deal to get buyers at that auction? Were there  
19 any special incentives?

20 A. The purchase of the property had to  
21 include the purchase of a membership, and they  
22 would get two years free dues. After the two years  
23 they had to pay whatever dues they were supposed to  
24 pay, resident or nonresident.

25 Q. Okay. Who had the authority, I guess,

1 or who made that deal available?

2 A. Jim Chaffin.

3 Q. Okay. And what's your understanding of  
4 how he could -- how he could do that? Were they  
5 his lots?

6 A. Yeah. They were owned by the company.

7 Q. Okay. Is he the owner of the company?

8 A. Jim Chaffin and Jim Light, and at that  
9 time I think Dr. LaMotte was still with them.

10 Q. Okay.

11 A. Yes. He was with them.

12 Q. Okay. Are you aware of any other  
13 arrangements that Jim Chaffin or any of the  
14 directors made with --

15 MR. HAIGHT: Object to the form.

16 BY MR. MCDANIEL:

17 Q. -- any members as far as incentives  
18 like that to buy -- to buy memberships?

19 A. That is the only -- that's the only  
20 thing I know of, is the two years free dues.

21 Q. Okay. Are you aware of any members who  
22 had more than one club membership at the time you  
23 were there?

24 A. Oh, yeah.

25 Q. Okay. How many would you say -- how

1 many entities or persons had more than one  
2 membership? Was that a common thing?

3 A. It was not an uncommon thing.

4 Q. Okay. Can you estimate? I mean, I  
5 know you don't -- probably can't have an exact  
6 figure where there's -- if it was that common, it  
7 probably wasn't just two or three but, I mean, was  
8 this --

9 A. It was more than that.

10 MR. HAIGHT: Object to the form.

11 BY MR. MCDANIEL:

12 Q. Can you put a percentage on it, like  
13 how many of the members probably had more than one  
14 membership?

15 A. I don't think I could be fair in  
16 stating a percentage, but it was at least ten, as I  
17 recall.

18 Q. Okay. Do you recall the circumstances  
19 why somebody might have purchased more than one  
20 membership?

21 MR. YOUNG: Object to the form.

22 THE WITNESS: Well, sometimes they had  
23 a member -- some people -- there was a lot of  
24 investments going on back then, and I think if  
25 people had a lot and a membership and another lot

1       came up that they really liked but it had a  
2       membership, they would go ahead and buy that and  
3       then put their other lot and membership up for  
4       sale.

5       BY MR. MCDANIEL:

6               Q.     Okay.

7               A.     There was -- there was a good bit of  
8       that that went on, but I don't know of any people  
9       who bought memberships for -- as an investment kind  
10      of thing --

11              Q.     I thought --

12              A.     -- until the auction.

13              Q.     Okay. I thought that's what you were  
14      saying, why they bought multiple memberships was  
15      for investment?

16              A.     But -- for the lots. If the lot they  
17      wanted had -- somebody was selling it that had a  
18      membership --

19              Q.     Right.

20              A.     -- and wanted to sell the membership  
21      with it.

22              Q.     Okay. Do you know whether the  
23      memberships were sold, whether -- well, let me ask  
24      you. Who was in charge of marketing memberships  
25      when you were there?

1           A.    That happened, I think, after the  
2 members took over, and they had a committee, but I  
3 wasn't a part of that committee.

4           Q.    Before the members took over, was there  
5 any marking arm?

6           A.    We didn't have marketing of  
7 memberships.

8           Q.    Okay.  Once the members took over, what  
9 was your interaction with the memberships?  Did you  
10 still have a function with regard to --

11          A.    I had -- I kept files.  When somebody  
12 purchased the membership, I made the certificate  
13 for them, and I got the chairman or president to  
14 sign the certificates, and I made copies of all the  
15 certificates and kept them in a notebook in a --  
16 and a list of who the members were, where they  
17 lived, kept up with all that.

18          Q.    How did you maintain that list?  Was  
19 that a computerized list?

20          A.    Yeah.  Excel.

21          Q.    Okay.

22          A.    And through Jonas.

23          Q.    When did Jonas come into play?  When  
24 did you guys start using Jonas?  Do you remember?

25          A.    I think I only used Jonas a couple of

1       years.

2               Q.    Okay.  So it would have been 2000s,  
3       sometime in the --

4               A.    Yeah.

5               Q.    -- early 2000s?

6               A.    Yeah.

7               Q.    The resale list --

8               A.    Uh-huh.

9               Q.    -- was something that you developed, or  
10       how did the resale list come about?

11              A.    I didn't develop it.  The resale list  
12       was part of the club plan, and as we got to a point  
13       where there were people who had memberships and  
14       sold their property without selling the membership  
15       with them, then we started keeping a list of them,  
16       and as the list got more than a few people, then we  
17       started putting it on the spreadsheets where  
18       everybody could follow them.

19              So it was -- everything about the sales  
20       office was started on a -- on what I could think of  
21       to do because we didn't have the computers when  
22       everybody else first got computers, and so a lot of  
23       it was done by --

24              Q.    Right.

25              A.    -- just copying and copy machines, that

1 sort of thing. So as the resale list started  
2 coming up, instead of keeping it in a notebook like  
3 we did in the very beginning when we got the first  
4 few, and then computers came in, then we started  
5 putting it on the Excel spreadsheets.

6 Q. Do you know when --

7 A. And that's how it evolved.

8 Q. Do you know when that change occurred  
9 from the notebook to the Excel?

10 A. Yeah. That was when we were still in  
11 the house, so that had to have been between -- real  
12 close to '90.

13 Q. Okay. And when you kept that resale  
14 list --

15 A. Uh-huh.

16 Q. -- was that published in some way to  
17 the members?

18 A. Not for years. I think when the  
19 members took over, we put the -- published the list  
20 in their minutes. I would give them a list every  
21 month.

22 Q. And you think, when they had monthly  
23 meetings, they would put them in the minutes?

24 A. Uh-huh.

25 Q. Did you see the minutes with them in

1 it?

2 A. No, I never saw the minutes. I was  
3 just asked for them so that they could put them in  
4 the minutes.

5 Q. Okay. So you were told they were  
6 planning to use them for the minutes --

7 A. Uh-huh.

8 Q. -- and that's why you would give it to  
9 them monthly?

10 A. Uh-huh, uh-huh. Yeah.

11 Q. Okay. Did the resale list get stored  
12 in any sort of -- I know you said you made a  
13 monthly print-off or --

14 A. Uh-huh.

15 Q. -- some sort of monthly report. Did  
16 the minutes get stored sequentially or  
17 chronologically some way -- not the minutes, the  
18 resale list -- sorry -- as far as is it possible to  
19 go back to 1991 and say here's the resale list from  
20 January of 1991?

21 A. If they still had the files.

22 Q. Okay. As far as the Excel document  
23 though, did the -- did it get saved like that on  
24 the computer?

25 A. No.



1 Q. How was it saved --

2 A. No.

3 Q. -- on the computer, I guess is what I'm  
4 wondering?

5 MR. HAIGHT: Object to the form.

6 THE WITNESS: When -- whenever I did a  
7 new list on the computer, what I probably -- and I  
8 don't remember. I may have saved -- occasionally  
9 saved it in a different file, but I think back then  
10 I was naïve with the computer world and I just  
11 saved over the same thing, but I didn't worry about  
12 it because I had a file right here that I would  
13 keep the old copies of the list.

14 BY MR. MCDANIEL:

15 Q. Okay. So you were printing them off?

16 A. Oh, yeah.

17 Q. Okay. And you would put the -- the  
18 printed resale list in a hard-copy file --

19 A. Uh-huh.

20 Q. -- then just save over it on the  
21 computer?

22 A. Right, right.

23 Q. Okay. How were you storing the  
24 hard-copy file? You say you printed it off. What  
25 file was it going into?

1           A.    I had a file in my desk, a pullout  
2           drawer, and there was a file in there.  And I kept  
3           that because people would call -- off the resale  
4           list would call and want to know where they were on  
5           the resale list and who had sold, and they -- I had  
6           to keep an accounting to a whole bunch of people  
7           who would call every single month, and it was  
8           simple to pull out and go back to where -- well,  
9           they sold back in so and so and at that time you  
10          were at such and -- such and such, so I could  
11          account for them.

12          Q.    Got you.

13          A.    So I had it all right there.

14          Q.    And people would call pretty frequently  
15          wanting to know where they were?

16          A.    Very frequently, and I hated the first  
17          week of the month because I felt like every time  
18          somebody flipped their calendar over the first  
19          thing on the list was call Ellen.

20          Q.    All right.

21          A.    And the developer should have had  
22          copies of those too.

23          Q.    When you left, what was done with that  
24          file as far -- I mean, where -- do you know where  
25          it was -- well, let me back up.

1                   Did you maintain that file the whole  
2 time until you left?

3           A.    Uh-huh.

4           Q.    That's a yes?

5           A.    Until Tom -- until Tom -- until Dan  
6 Liese came. When Dan Liese came, all the files --  
7 all my files were taken.

8           Q.    And who took them?

9           A.    All I had left was the real estate and  
10 membership stuff.

11          Q.    And who was Dan Liese? He's the  
12 RE/MAX?

13          A.    He was the RE/MAX -- he worked for  
14 Island RE/MAX on Hilton Head, and he made an  
15 arrangement with the -- I guess it was CIPOA -- to  
16 come in and run the business as Callawassie Island  
17 -- it was RE/MAX. Dan Liese was the team leader.

18          Q.    Did he come in after the members had  
19 taken over the club?

20          A.    Uh-huh, uh-huh.

21          Q.    I ask for the record --

22          A.    Uh-huh.

23          Q.    Say yes or no.

24          A.    Yes, yes. I'm sorry.

25          Q.    I know you're saying yes.

1 A. Yeah, right.

2 Q. I just want to make sure it's clear.

3 A. That's my understanding.

4 Q. Okay. So did the membership -- do you  
5 know who hired or who made the decision for Dan  
6 Liese to come in?

7 A. No. I would have to say I just assumed  
8 that it was the property owners association.

9 Q. But at that point the property owners  
10 association and the club were two separate  
11 entities, right?

12 A. Uh-huh, uh-huh.

13 Q. Yes?

14 A. Yes.

15 Q. Okay. Sorry. I'm not --

16 A. Sorry. That's okay.

17 Q. Again, not trying to give you the  
18 answer. I just want to make sure that it's clear.

19 So was the property owners association  
20 making decisions that -- for the club at that time?

21 MR. HAIGHT: Object to the form.

22 THE WITNESS: What I was doing in my  
23 office, I never sat in on any of the meetings where  
24 I would be clear as to who is doing this: Is this  
25 coming from the property owners association. Is

1       this coming from the club.

2                   It's two distinct -- I understand that  
3       it's two distinct, let's say, companies, but to me,  
4       it was about the same people.

5                   I didn't sit in on anything that the  
6       POA did. I went -- there was -- I don't know of  
7       anything that I sat in on the POA. On the  
8       membership side I know that they established a  
9       marketing team to try to sell Callawassie, and I  
10      sat in on that monthly for a few months, and I just  
11      assumed that that was the members club that was  
12      doing that.

13      BY MR. MCDANIEL:

14                  Q.     Okay.

15                  A.     But I was -- it was my understanding  
16      that the POA owned the welcome center or leased it  
17      from Jim Chaffin's development company, and then  
18      that was turned over, I believe, to CIPOA, the  
19      property owners association, and it was my  
20      understanding that -- or else I just assumed --  
21      that the property owners association moved in  
22      RE/MAX to handle the sales.

23                  Q.     Because RE/MAX was primarily a real  
24      estate --

25                  A.     Uh-huh.

1 Q. -- office?

2 A. Uh-huh, yes.

3 Q. Thank you.

4 A. Yes.

5 Q. Was there some tension with RE/MAX? I  
6 mean, it sounds like maybe that was a contentious  
7 thing just from the -- I'm just wondering. Was  
8 there any issue with when RE/MAX came in that that  
9 was not something that your boss or your employer  
10 wanted to see happen?

11 MR. YOUNG: Object to the form.

12 THE WITNESS: I think they helped. The  
13 tension is from me because I think that really Dan  
14 Liese and RE/MAX did a lot of good for Callawassie.  
15 The problem I had with them was, when Dan Liese  
16 came in, I was no longer head of the real estate  
17 office.

18 Dan Liese, I say, pigeon-holed me into  
19 my desk, and the only thing I could do was to  
20 handle the listings because I knew most of the  
21 people that lived on that island, knew them well.  
22 I liked -- I'm very fond of them. They're fond of  
23 me.

24 So he used me in getting the lease --  
25 getting the listings for their property because at

1       that time there was probably eight other firms,  
2       real estate firms, represented by people living on  
3       the island. I think Weichert was one, and they  
4       were getting listings from some of the property  
5       owners there.

6       BY MR. MCDANIEL:

7             Q.   Do you know how they chose Dan Liese?

8             A.   They -- they did a search. They looked  
9       at a lot of real estate companies --

10            Q.   Okay.

11            A.   -- Weichert including, since they were  
12       on the island.

13            Q.   When Dan Liese took over --

14            A.   Uh-huh.

15            Q.   -- did -- you said that they took the  
16       files. They actually moved the files?

17            A.   Everything in my desk, all the files I  
18       had kept all over the years, over all these years,  
19       all the sales reports, all of the memberships --  
20       reports like the property owner -- I mean the  
21       resale list, all of that was boxed up and taken.

22                    The files that still held the sales  
23       contracts that people signed for their properties  
24       and the membership applications that people signed  
25       for their memberships, all of that was left there,

1       so that part was still there.

2               Q.    Okay.

3               A.    But everything I kept, like the  
4       membership resale list, all that disappeared, and  
5       it was my assumption it just -- it was taken to  
6       storage somewhere, like in the garage over at the  
7       accounting office maybe.

8               Q.    Okay.  Is it fair to say you don't know  
9       where it went?

10              A.    I don't know where it went.

11              Q.    Okay.  Did you ever ask anybody, your  
12       boss or anybody, what are they doing with all the  
13       records?

14              A.    I did not ask about my desk.  My desk  
15       was even taken.  They took everything except the  
16       files.

17              Q.    Did they tell you they were going to  
18       take your desk?

19              A.    Well, when he came in, he said -- when  
20       Dan Liese walked in the office, he said I want to  
21       present an office with brand new.  I want everybody  
22       to look at this as brand new, and they replaced  
23       every single desk and chair in that office.

24              Q.    And they gave you a new desk?

25              A.    Brand-new desk, brand-new chair.



1           Q.    They didn't make you stand up.  You're  
2   not saying they took it out from under you, right?

3           A.    No.  But I felt like that.

4           Q.    Right.  And because you had been there  
5   at that point almost 15 years?

6           A.    Yeah, yeah.  Closer to 20.

7           Q.    Closer to 20 years.

8           A.    Yeah.

9           Q.    Because this was, what, 2003 or '4, you  
10  think?  Is that --

11          A.    Yeah.  It was early, yeah.

12          Q.    Okay.  You had mentioned a minute ago  
13  that you sat in on some meetings of --

14          A.    Uh-huh.

15          Q.    -- I believe marketing meetings?

16          A.    Marketing meetings.

17          Q.    Who was involved with those meetings,  
18  and when did they start?

19          A.    They developed when Dan Liese was  
20  there.  Dan Liese said he wanted -- he was -- he  
21  would pay the money and so forth to market the  
22  properties, but he thought that Callawassie Island  
23  -- CIPOA or members club -- in my mind they're the  
24  same.  I know they're not -- that they should pay  
25  for the marketing of the island and they should run

1 the ads, the general ads we call them, about  
2 Callawassie Island, a world apart or whatever --  
3 with whatever tagline was running at that time with  
4 a general ad, whereas we -- Dan Liese would run ads  
5 like the MLS, doing all of that type of thing,  
6 Internet and all that.

7 Q. So he was doing the individual  
8 properties?

9 A. Right, right. And so they established  
10 a marketing committee, the -- I get -- club or  
11 CIPOA, I don't know which -- established the  
12 marketing committee, and they chose some of the  
13 real estate firms. The agents that lived on  
14 Callawassie wanted a part of it, so they had seats  
15 on this marketing committee for input into the  
16 general marketing of Callawassie Island and the  
17 open houses.

18 Q. Who from Callawassie was on this  
19 committee?

20 MR. YOUNG: Object to the form.

21 MR. HAIGHT: Object to the form.

22 BY MR. MCDANIEL:

23 Q. Do you understand?

24 A. I'm thinking. I think Karen Norwood  
25 was there. Eddie -- they hired Eddie Sanders, and

1 she was there. She was supposed to contribute to  
2 the marketing. She was supposed to go and visit  
3 other places and so forth so -- that at the moment  
4 is -- they're the only two people I can remember.

5 Q. And do you know who Karen Norwood was  
6 there on behalf of?

7 A. I just assume she was on the committee.

8 Q. But again, you don't know if it was the  
9 -- she was a board member or -- do you know?

10 A. Well, I know -- I think at one point  
11 she was a board member, but whether or not CIPOA or  
12 the club, one or both.

13 Q. Okay. What was the -- well, while you  
14 were there, was there anybody else during your term  
15 of employment there that you would say was directly  
16 involved with or the director of membership at the  
17 club?

18 I'm just trying to figure out is there  
19 -- are there other people who have similar  
20 knowledge or maybe better knowledge than even you  
21 have as far as the club membership from, say, '85  
22 through 2000, whenever you left, '5 or so?

23 A. They had a membership -- they had a  
24 membership committee.

25 Q. Okay. So the membership committee that

1 -- once the members took it over themselves?

2 A. Uh-huh. Sure did.

3 Q. Are there other -- I guess was there a  
4 membership director other than yourself at any  
5 point that you know of?

6 A. I'm sure there was, but I couldn't tell  
7 you who it was.

8 Q. Okay. Would that have been after the  
9 members took it -- took the club over, or do you  
10 think --

11 A. Yes.

12 Q. Okay. Before that, let's say before  
13 2000, from '85 to 2000, were you the person  
14 primarily in charge of handling memberships, new  
15 members, and resale lists and all those things?  
16 Was that you, or was anybody else helping you do  
17 that?

18 A. No. There was a membership committee,  
19 but I never was invited to the membership  
20 committee, so I don't have any clue what they did,  
21 but nobody -- it's like you -- you're sitting in  
22 this room and you know everything that's going on  
23 in this room, but you don't know what's going on in  
24 the other buildings.

25 Q. Okay.

1           A.    So to you, what -- it's the building.  
2    You would refer to the other building. Well, the  
3    other building is responsible for that. The other  
4    building did that or -- but you don't know the  
5    names of, you know, who exactly the players are for  
6    every single person --

7           Q.    Right.

8           A.    -- in the other room. So this room I  
9    knew, but -- and I knew there was a marketing --  
10   membership committee, but I don't know -- really  
11   know what they did because I wasn't a part of them.

12                   I know that some would call, like maybe  
13   Harman Switzer would call and ask questions about  
14   -- maybe about some people or about what  
15   memberships people had or so forth or -- but as to  
16   reporting to them, no, I didn't do any of that.

17                   And as for anybody helping with the  
18   membership resale list, I would have loved to have  
19   had somebody else that I could say, well,  
20   Mr. Jones, you need to call so and so; they'll tell  
21   you.

22                   But, no, I didn't get any help with any  
23   of the things I did with selling the memberships to  
24   get -- all I did was get their signatures and so  
25   forth and set it up in the file and make the

1 certificate.

2 Q. With regard to the governing documents  
3 of the club --

4 A. Uh-huh.

5 Q. -- can you tell me -- tell me what you  
6 know about from the time you were there, what  
7 documents were created or in existence to govern  
8 the club, specifically, the membership or the --

9 A. Uh-huh.

10 Q. -- creation of memberships or that type  
11 of thing.

12 A. Hillier & Wanless were the people that  
13 -- the attorneys in Florida, I believe it was,  
14 that --

15 Q. Do you know to spell that? Hillier?

16 A. H -- let's see. It's H-I-L-L-I-E-R.  
17 Dennis Hillier is his name.

18 Q. Okay.

19 A. He's still in business.

20 There was a membership plan when I  
21 first got there, but I'm very vague on remembering  
22 that. It was -- the membership plan was already  
23 established then, such as who -- such as what  
24 memberships there were and what -- who could get  
25 these memberships and what their responsibilities

1       were and how it would pass to your children or if  
2       you wanted to sell them.

3               So that was already there in place, and  
4       then Hillier & Wanless did -- redid the membership  
5       plan, but it was essentially the same thing. It  
6       was just more lawyer talk -- excuse me -- to it.

7               Q.    Do you know when they did that, what  
8       year, about? Was that before the --

9               A.    No. I believe it was like '95 or '96,  
10       maybe '97.

11              Q.    Okay. And when you got the -- when  
12       that was completed --

13              A.    Uh-huh.

14              Q.    -- do you know how that was transmitted  
15       to the members, how that was --

16              A.    Everyone received a copy of that plan  
17       because I mailed it out to them.

18              Q.    Okay. So you did that. You mailed  
19       out --

20              A.    I did that. I mailed them all out.

21              Q.    Okay. And was there some vote taken  
22       about that? Was there any kind of -- any kind of  
23       meeting or thing that said we're going to pass  
24       this, or was this something that was done by the  
25       developer?

1           A.    The developer did that.

2           Q.    Okay.  And you're not aware of the  
3 members voting on that or not?

4           A.    The members voted a good bit on a lot  
5 of different things.

6           Q.    I didn't mean to -- I'm not trying to  
7 put word -- you know, answers in you.

8           A.    Yeah, yeah.

9           Q.    I don't know the sequence of when they  
10 started voting --

11          A.    Uh-huh.

12          Q.    -- and when they started -- at what  
13 point they would approve changes or not, so I guess  
14 that's what I'm asking you.  Do you know how this  
15 new plan came into being ratified or being input in  
16 place?

17          A.    It seems to me that there was a vote of  
18 some nature at that time and that it had passed,  
19 but I could not tell you what exactly it was even  
20 about.

21          Q.    Okay.  Do you know how those votes were  
22 conducted at that time, who was in charge of  
23 calling the meeting, keeping the votes, all that  
24 kind of recordkeeping of that?

25          A.    The recordkeeping was done by someone



1       else. Typically when we had a vote, I was given  
2       the paperwork to make the vote, and I would make  
3       the copies of all of them and stuff them in the  
4       envelopes and -- for all of the people who had more  
5       than one membership, I made sure that they had two  
6       responses or however many memberships they had. So  
7       I would mail them out, and then they would come in.  
8       Somebody else would tally them up.

9           Q.    Okay. So you would mail out the vote.

10          A.    Uh-huh.

11          Q.    It would come back in. Do you know  
12       what the -- where those returned votes would be  
13       kept?

14          A.    I have no idea where they were kept.

15          Q.    Okay. Do you know the department? I  
16       mean, was it -- if it wasn't your office, did it go  
17       to a different office or --

18          A.    Yes. It went to a different office.

19          Q.    Do you have any idea what office that  
20       would be?

21          A.    My idea was it went to the accounting  
22       office.

23          Q.    Okay. And that could -- that could be.  
24       I don't know. Who was doing the accounting at that  
25       time?

1           A.   Mont Blaisdell was doing all of that.

2   He was chief financial officer and --

3           Q.   Was he --

4           A.   I'm trying to think if he was there at

5   that particular time or not.  I believe he was.

6           Q.   Was he an independent --

7           A.   Yeah.  He was there.

8           Q.   -- accountant, or was this a --

9           A.   Not at that time.  He worked for

10   Chaffin/Light.

11          Q.   Okay.  After the '97 one, are you aware

12   of the rules, governing documents, being amended or

13   changed again after that?

14          A.   I believe they were.

15          Q.   Okay.  Can you tell me what -- when

16   that was and what the -- what the circumstances of

17   that change were?

18          A.   Not right now.  I don't -- I can't

19   remember when any of them were.  I know there were

20   several occasions when the votes were sent out, but

21   I can't recall any specifics right this minute.

22          Q.   Okay.  Do you recall, when the members

23   took over the club, whether there was a vote to

24   change any of the governing documents at that time?

25          A.   There usually was a vote to change

1 documents whenever they did votes.

2 Q. Okay. And I would think so too. I'm  
3 just wondering if that's --

4 A. Yeah.

5 Q. -- if you recall that taking place?

6 A. Yes. I recall some of those taking  
7 place, but as to what particular subject was under  
8 discussion, I can't remember specifically.

9 Q. Okay. That's fine. And that's fine.  
10 I'm trying to get kind of a chronology of when some  
11 of these things --

12 A. I don't think I'll helping you too much  
13 on this chronology.

14 Q. No. You're okay. I'll ask you a  
15 couple -- who was your immediate supervisor when  
16 you worked there?

17 A. Well, sometimes it was the -- the  
18 president, I guess you'd say. Sometimes it was  
19 Mont Blaisdell. At first it was Lee Allen, our  
20 broker in charge. They put him in charge, and I  
21 worked for him, but really Mont Blaisdell or  
22 whoever.

23 Q. Okay. You said the president. The  
24 president of Chaffin/Light?

25 A. Whoever they determined as president at

1 the time, like Jim Anthony. Jim Anthony was  
2 general manager of the club -- I mean, of the  
3 development office there, and they called him  
4 president.

5 Q. Okay.

6 A. I know.

7 Q. Okay. If somebody wanted to get on the  
8 resale list, how would they go about doing that?  
9 Well, during the time you were there.

10 A. They were supposed to write a letter  
11 that said they wanted to go on the resale list:  
12 Please put my membership on the resale list.

13 Q. Could they call you up and say please  
14 put my name on the resale list?

15 A. They could do it, but they had to send  
16 me a letter that said they wanted to go on the  
17 resale list. It had to have a date.

18 Q. What about in the 1990s? Was that  
19 always the case, that you had to have a written --

20 A. Uh-huh.

21 Q. -- form of some sort?

22 A. They should have.

23 Q. Okay. Was there a fee associated with  
24 coming on or -- getting on or coming off the resale  
25 list?

1           A.   No.  At that time they could put their  
2   membership on the resale list any time they wanted  
3   to.

4           Q.   Okay.  Are you aware of the purchase  
5   price of the memberships while you were there?

6           A.   Yeah.  It was -- started out as, when  
7   they first made them equities, it started out at  
8   \$10,000 for the golf membership, 5,000 for the  
9   social membership, and that was when Chaffin and  
10  Light took over in 1986, '87.

11          Q.   And do you remember the changes that --  
12  the price changes?

13          A.   From there it went to 15,000 and 12,000  
14  for the social.

15          Q.   Okay.

16          A.   And then from there it went to, I  
17  think, 29,000.  Might have been a step in between  
18  there.  Maybe 25,000, then it went to 29,000 and  
19  then it went to 36,000 and then finally 45,000.

20          Q.   Okay.  Are you aware of any situations  
21  where, say, the price was 45,000, and the  
22  membership was offered to somebody for less than  
23  the price, less than that listed price?

24          A.   Not like you're saying.  A lot of times  
25  somebody would be wanting to buy a lot or a house

1       and they would start the negotiations when the  
2       price was one thing, say -- let's just say 15,000,  
3       so by the time he went -- he may have gone to  
4       contract or we -- or the documents had sent off or  
5       something, anyway, we could contract him on the old  
6       price even if the new price came in.

7               It was used as a tool to say you need  
8       to buy your property now, and if you buy it now,  
9       you'll save X amount of money because the  
10      membership is going up. It's going up to 25,000,  
11      so we need to go ahead and get this under contract.

12             And the guy might say, yeah, I want to  
13      do it, but it might be a period of time in between  
14      that, yeah, I want to do it to when he actually  
15      went to contract.

16             Q.   When you say went to contract, closed  
17      on it? Is that what you're talking about, closing?

18             A.   No. I'm talking about when he went to  
19      contract.

20             Q.   When he signed a contract?

21             A.   Right, right.

22             Q.   So he could lock in --

23             A.   Yeah.

24             Q.   -- the current price?

25             A.   Yeah.

1 Q. For how long could he do that?

2 A. Until after the price change went in.

3 He had to have the contract signed by the date that  
4 price --

5 Q. Changed?

6 A. -- changed.

7 Q. Okay. So if you signed a contract to  
8 buy a piece of property --

9 A. Uh-huh.

10 Q. -- the developer said I'll lock you in  
11 at whatever the price -- the membership is at the  
12 point you sign the contract for the property?

13 A. Uh-huh, uh-huh. But they would lock it  
14 in -- the date that the membership goes into  
15 effect, the contract had to be signed, not closed.  
16 The closing could take place some after that.

17 Q. I've got you. But they had to have a  
18 signed contract to purchase property before the  
19 price changed, the membership occurred, in order to  
20 lock in the old price?

21 A. Yes.

22 Q. Okay. Are you aware of other  
23 circumstances where the price was just lowered?  
24 Not in that situation where it was held on a  
25 contract but where it was just said, well -- the

1 developer for what -- for any reason decided --

2 A. Uh-huh.

3 Q. -- okay, I'll give you -- you know, if  
4 you're going to buy three, maybe, or whatever  
5 reason he had, I'll give you it at a lower price,  
6 something -- any reason he might have? Are you  
7 aware of that ever -- anything of that nature ever  
8 happening?

9 A. There -- there may have been. It's --  
10 it seems like to me there may have been maybe two  
11 -- maybe two that I questioned, but I -- I don't  
12 know who they were or what the circumstances were,  
13 but I think it had to do with 29,000, but there  
14 were -- there were two that I questioned, but I was  
15 never -- I questioned them, but I can't remember  
16 what the answer was, but I didn't feel like it was  
17 cheated -- it was cheating.

18 Q. Okay. You were satisfied with whatever  
19 answer you received?

20 A. I was satisfied with the answer, but I  
21 can't remember what it was, but I remember -- but  
22 the 29,000 just flies out at me, so...

23 Q. Are you aware of any club members,  
24 particularly multiple member clubs, who didn't pay  
25 the yearly or the monthly dues on some of their



1 second or third or additional memberships?

2 A. Well, there were times when they had  
3 deals. When they bought, the developer allowed  
4 them maybe two years free dues if you buy a  
5 membership.

6 Q. Okay. Well, you said at the auction.  
7 There would be other deals like that sometimes?

8 A. The only deals that I was aware of at  
9 the auction was they got two years free dues.

10 Q. Okay. Other than that auction deal,  
11 were you aware of some other deals that were made  
12 as well?

13 A. Not -- not to individuals. It would be  
14 -- any deal that was made would be a company deal  
15 to get the salesmen the sale membership, so it  
16 wasn't like you pick and choose which -- which one.

17 Q. Okay. Well, tell me you what you mean  
18 by individual salesmen. So he would maybe tell the  
19 salespeople right now we're offering this deal?

20 A. Yeah. Be in a sales meeting and they  
21 would say -- like when the two years free dues  
22 thing came up, something like that would be  
23 discussed in the sales agent -- with the sales  
24 agents in the sales meeting.

25 Q. Okay.

1           A.    But it wasn't an advertised promotion.  
2    It was just within the building, the sales office.

3           Q.    Okay.  But other than the auction,  
4    you're saying they sometimes would make some offers  
5    like that --

6                   MR. HAIGHT:  Object to the form.

7    BY MR. MCDANIEL:

8           Q.    -- known to the agents?

9                   I guess I'm just making sure.  It  
10   sounded like you were saying to me that that would  
11   be -- occasionally they would make certain offers,  
12   and I'm just making sure -- you're not talking  
13   about just the auction, the one-time auction deal;  
14   that this was something that from time to time they  
15   might make some deal known to their sales agents as  
16   an incentive to try to get new members?

17          A.    No.  It really wasn't like what you're  
18   saying.  It was -- it was -- it wasn't, you know,  
19   these people get this deal and -- but these people  
20   over here get another deal and these people won't  
21   get any deals and -- it wasn't anything like that  
22   that I'm aware of.

23                   It was -- the kind of deals I'm talking  
24   about was like for years we had it where if a  
25   property owner referred somebody who bought or a

1 club member referred somebody who bought, he would  
2 get a year's free dues.

3 Q. Okay.

4 A. And we'd send a letter out to all of  
5 the property owners, the members, saying if you  
6 refer somebody, you get a year's free dues. Those  
7 are the kinds of things I'm talking about.

8 And we'd send out notices to people in  
9 our database, if they bought between now and the  
10 first of the year, they might get six months free  
11 dues, but all of that was with the developer.

12 Q. The developer being --

13 A. Jim Chaffin, Light, and LaMotte.

14 Q. Okay.

15 A. The club members, when they took over,  
16 and I could see control go -- leaving from our  
17 office to the other offices, I wasn't aware of  
18 anything. Like they -- they didn't seem to want to  
19 do anything to spur somebody buying.

20 Q. Yeah.

21 A. It was very hard.

22 Q. Were there meetings where they were --  
23 they were encouraged to do those things?

24 A. Rephrase.

25 Q. You're saying it was hard. I guess so

1 I'm asking you to expand on what you mean by that.

2 Is it there were discussions where they were --

3 were there discussions where those types of

4 incentives were discussed with the club members --

5 MR. HAIGHT: Object to the form.

6 BY MR. MCDANIEL:

7 Q. -- or the -- whoever's leading the club  
8 members?

9 A. No, no. Not with the club members, no.  
10 This --

11 Q. With who?

12 A. We would -- with the salespeople in the  
13 sales office. Mont Blaisdell generally was there.  
14 We would sit around trying to think how in the  
15 world we could get sales, and there would be, well,  
16 let's do a year's free dues, and that would either  
17 be a yes or a no, but they were always trying to  
18 come up with an idea that would help people  
19 purchase properties and memberships.

20 Q. Right.

21 A. A lot of talk was, well, maybe the  
22 salesmen should be paid commission on selling  
23 sales, but they -- no, they didn't think you needed  
24 to do that.

25 Q. Who is they, though, I guess is what

1 I'm wondering? It sounds like there was some  
2 discussion there. I'm wondering who is on the  
3 other side of this that's resisting these  
4 discussions?

5 A. It was -- I don't know that it went --  
6 ever went any further than our sales office. I  
7 don't know of any CIPOA, board member, committeeman  
8 or anybody like that involved in any of the  
9 discussions I'm talking about.

10 Q. Okay.

11 A. I think most of -- I think this was  
12 just when the developer was there, when we would  
13 all sit around. Chaffin was never there. Mont was  
14 there and our sales agents, and I can't remember  
15 anybody else being from anywhere else in those  
16 meetings where we were talking about how we could  
17 get sales.

18 Q. Okay. And so you -- there would be  
19 kind of a brainstorming session --

20 A. Exactly.

21 Q. -- then somebody would say they have an  
22 idea, and then they would have to go through, who,  
23 Mont, to get approved or --

24 A. Yeah, yeah. It was just whether Mont  
25 wanted to carry wherever he carried it, whether it

1 was to Chaffin or whoever.

2 Q. Okay. And did you find that those  
3 incentives were successful in bringing in new  
4 members?

5 A. No. It was all -- mostly all -- it all  
6 died just about where we discussed it.

7 Q. What do you mean, it mostly died? Do  
8 you mean the --

9 A. The ideas we would put out.

10 Q. Okay. So these weren't incentives that  
11 actually got carried out?

12 A. Most of the time, no.

13 Q. Some of the time they did?

14 A. Some of the time they did and -- like  
15 for instance the commission on sales, they didn't  
16 pay commissions. Well, they paid commissions on  
17 sales part of the time. It was like \$200 or  
18 something or \$150, whatever, and then they didn't  
19 pay commissions.

20 And then when it got hard to sell  
21 memberships, that was when the property owner --  
22 when the membership had taken over and they had  
23 made the rule -- I guess they voted -- that you had  
24 to buy a membership when you bought a property at  
25 Callawassie Island.

1                   And then they wanted to get a  
2       commission on selling the memberships because you  
3       had -- it was harder to sell the membership than it  
4       was to sell the property.

5                   Q.    Okay.

6                   A.    So then they --

7                   Q.    When did that occur, that change --  
8       your understanding of when that -- you said they  
9       had to buy membership --

10                  A.    Uh-huh.

11                  Q.    -- when they purchased property. When  
12       did that happen?

13                  A.    That had to happen somewhere around  
14       2003, '4. It was just before Dan Liese got there  
15       or just after.

16                  Q.    Okay. Right around the same time, I  
17       guess, as Dan Liese?

18                  A.    Uh-huh.

19                  MR. HAIGHT: Can we ask how Dan Liese  
20       is spelled? I've been spelling it one way  
21       throughout here, and I'm sure it's wrong.

22                  THE WITNESS: L-I -- it's spelled lies,  
23       E. L-I-E-S-E.

24                  MR. HAIGHT: Okay.

25       BY MR. MCDANIEL:

1           Q.   What's your understanding of the  
2 members' ability to resign their membership?

3           A.   To resign their membership simply meant  
4 that they placed their membership on the resale  
5 list where they stayed on the resale list -- while  
6 they stayed on the resale list they had to pay all  
7 the dues, fees, assessments, whatever. They had to  
8 pay all of that until the membership was sold to  
9 somebody else.

10          Q.   What happened to members who didn't --  
11 who got behind on dues? Say it's January 1 and  
12 they don't pay their dues or fees for -- in  
13 January? What --

14          A.   The developer allowed them to accrue  
15 their dues, fees, and charges -- or dues and fees,  
16 assessments, against the membership so that when  
17 the membership sold, the developer would then  
18 collect everything that was back-owed.

19          Q.   So if they just quit paying and the  
20 dues accumulated, when it was -- when the  
21 membership sold, it would be taken out of the  
22 amount that should go to --

23          A.   Correct.

24          Q.   -- would normally have gone to the  
25 member?



1           A.    Right.

2           Q.    And what was the division of the sale  
3 price from member to club when you were there? Do  
4 you understand what I'm asking? If the membership  
5 sold, how much of that was supposed to go back to  
6 the member if they were current?

7           A.    When the developer was running it, the  
8 person got 80 percent of the selling price or what  
9 he paid for it, whichever is greater. When the  
10 club took over, they wanted the dues. They wanted  
11 the money. They stopped the accruing.

12          Q.    Well, let me ask you: Did they change  
13 the division of the split of the money when the  
14 club took over?

15          A.    Yeah. They did that -- yeah. They did  
16 that too.

17          Q.    All right. Are you familiar with was  
18 there a provision for people who had bought before  
19 the change, or was there any difference for  
20 somebody who was a member in 1988 versus somebody  
21 who became a member in --

22          A.    You mean grandfathered.

23          Q.    Okay. And what would that mean?

24          A.    Grandfathered is when if you bought  
25 property at a certain time or whatever at a certain

1 time and you believed these set of circumstances  
2 and then somewhere down the line they changed that  
3 and made a new rule and your circumstances you  
4 thought were great went away, grandfathered would  
5 be that you were still protected because you had  
6 bought under those circumstances.

7 And in this case it's my understanding  
8 that the 80 percent thing changed, the -- instead  
9 of it being the 80 percent -- oh, gosh, what was  
10 it? Where I work at Spring Island their -- they  
11 just changed their club plan and now 60 percent is  
12 what they get, and I can't -- and I'm trying to  
13 think back what Callawassie's was.

14 Q. That's fine. But it changed?

15 A. It changed.

16 Q. It made some change.

17 A. It changed.

18 MR. HAIGHT: Object to the form.

19 BY MR. MCDANIEL:

20 Q. And it was a lesser amount, do you  
21 recall, or was it -- can you recall?

22 A. Yeah. They would get a lesser amount.

23 Q. Okay. You were talking about  
24 grandfathering.

25 A. Uh-huh.

1           Q.   Were the people that purchased before  
2   that grandfathered to their -- the previous  
3   regulations and situation they had?

4           A.   Seems to me they lost that, that they  
5   were not allowed to be grandfathered in there. It  
6   seems to me.

7           Q.   How do you --

8           A.   But the club was doing that, and at  
9   that time I think I was with Dan Liese.

10          Q.   Okay.

11          A.   Because I just remember hearing about  
12   it and being incensed.

13          Q.   That they hadn't grandfathered them?

14          A.   That -- yeah. That they hadn't  
15   grandfathered them.

16          Q.   Do you have any recollection of how  
17   that process might have occurred, of whether they  
18   were or were not grandfathered?

19          A.   No, I don't.

20          Q.   Okay. Do you recall any correspondence  
21   or statements with any members that they would be  
22   grandfathered?

23          A.   No, I don't.

24          Q.   When you said that the membership  
25   accrued, the dues would accrue --

1           A.    Uh-huh.

2           Q.    -- explain what that would mean if  
3   somebody stopped paying dues.  For instance, if you  
4   -- let's say you purchased your membership for  
5   \$15,000 and you stopped paying dues and the dues  
6   amount to \$20,000, what -- what would the club's --  
7   from your understanding, what would be the club's  
8   remedy to recover their money?  This is prior to  
9   the changeover.

10          A.    I don't know.  I was not in on the  
11   money situation.  I -- their membership would  
12   probably have been put on the resale list if they  
13   quit paying their dues and they were -- no.  That  
14   -- I don't think that's -- what I'm saying I don't  
15   think is right.

16                I think the only thing -- the ones I  
17   know about are the ones that went on the resale  
18   list who had quit paying their dues, but they  
19   didn't do anything about it.  They just stayed on  
20   the list that I know of.

21          Q.    During the time you were there, are you  
22   aware of any lawsuits being filed against any  
23   members?

24          A.    I don't remember the developer filing  
25   any suits against any of them.

1           Q.   And I'll represent to you that -- is it  
2   correct to say that -- well, let me just ask this  
3   question. Is it correct to say that it was your  
4   understanding that if a member didn't pay dues,  
5   that the most that they could lose would be the  
6   value of their membership?

7           MR. HAIGHT: Object to the form.

8   BY MR. MCDANIEL:

9           Q.   This was prior to the club making over.

10          A.   I don't know because I was not involved  
11   on the accounting side of it. Someone got way  
12   behind on their dues and the club wanted to do --  
13   or the developer wanted to do something about it, I  
14   don't know that I would even be told about that, so  
15   I don't remember any suits to try to make somebody  
16   pay.

17          Q.   Okay.

18          A.   I don't remember them.

19          Q.   Okay. And I guess what I'm -- I'm  
20   representing some people who I'll represent will  
21   say that their understanding was the most they  
22   would have at stake would be the value of their  
23   membership, that if their club -- if their  
24   membership's on the resale list, it wouldn't -- and  
25   it didn't sell, they wouldn't have to worry about

1     paying dues for years and years and years where you  
2     could get tens of thousands of dollars of dues. At  
3     most they would be at stake would be the value of  
4     their membership. I guess I'm asking is that --  
5     was that your understanding or --

6                 MR. HAIGHT: I'll object to the form.

7     BY MR. MCDANIEL:

8                 Q.    -- can you say?

9                 A.    I never thought about that. The only  
10    thing I thought about was poor whoever that was on  
11    the list and had been there years, and I know it  
12    was a ton of money that they now owed, was how --  
13    how bad I felt for them, that they were stuck on  
14    this list until they died, some of them.

15                Someone would call me and say they're  
16    going to leave their membership to their children  
17    and such and such. It's very -- it's very  
18    heartrending when you hear this month after month  
19    after month. So they may have owed a lot of money,  
20    but I never knew what would happen or what the club  
21    was going to do -- not the club -- what the  
22    developer was going to do about it.

23                Now, I knew that the membership, they  
24    were going to do something about it, and they did.  
25    They sent them all kinds of letters, and I'd see

1 the letters come back to be put in their file up in  
2 my office demanding payment and if they didn't pay  
3 they were going to take action against them and so  
4 forth.

5 I saw some of those letters that came  
6 back from the club to be put in their files, but I  
7 don't recall -- to get back to your question, I  
8 don't recall what the club would do or the  
9 developer would do if the amount they owed got so  
10 high that -- they just assumed or the property  
11 owner -- or the member may have assumed that he'd  
12 lose a membership and that's it, and that's  
13 probably how I felt or assumed, that they'd just  
14 lose the membership because whenever we sold a  
15 property and not the membership, we -- they  
16 couldn't attach what was owed on the membership to  
17 the sale of the property because it's two different  
18 things. So it was my understanding that they just  
19 lost it.

20 Q. Do you know who Bill Hawkins is?

21 A. Uh-huh.

22 Q. Who is he? Tell me what you know about  
23 him.

24 A. Bill and Susan Hawkins had a very nice  
25 house that they lived at the end of Sugar Mill

1 Drive on the right-hand side by the pond in the  
2 golf course. I think I've said that a few times.  
3 He was a real outgoing guy. He was well liked by  
4 everybody. I believe he was president of the golf  
5 club.

6 Q. Do you remember when he left?

7 A. He left -- he left early, in the early  
8 2000s, 2001, seemed like to me. Seemed like he  
9 left before Dan Liese got there.

10 Q. Okay. When a member with a golf  
11 membership were to sell their property --

12 A. Uh-huh.

13 Q. -- and the buyer was to purchase a  
14 social membership --

15 A. Uh-huh.

16 Q. -- what would happen to the seller's  
17 golf membership?

18 A. He keeps it and pays dues on it until  
19 he dies or he puts it on the membership's -- member  
20 resale list and hopes he sells it before he dies.

21 Q. Okay. Do you know what happened to  
22 Bill Hawkins' membership when he left?

23 A. No. I don't know what happened to it.

24 Q. If the person who purchased his  
25 membership -- I mean purchased his property



1 purchased his social membership, is there any way  
2 other than the resale list that he could --

3 MR. HAIGHT: Object to the form.

4 BY MR. MCDANIEL:

5 Q. -- have sold that membership?

6 A. Not according to the rules as I  
7 understood them.

8 Q. Okay. And you're not aware of any  
9 special deal that was worked out with Bill?

10 A. No.

11 Q. Okay. I guess that's a good question.  
12 Are you aware of anybody that was able to bypass  
13 the normal procedure of going through the resale  
14 list to transfer their membership to somebody else?

15 A. The only -- the only thing I can  
16 remember that came up was someone had a membership  
17 on the resale list and they wanted to sell it, and  
18 someone had a property that didn't have a  
19 membership attached to it, then this membership guy  
20 wants to put his membership with this other guy's  
21 property and sell it, but he had to somehow become  
22 part owner of that lot that didn't have a  
23 membership in order for that to work, and that guy  
24 that owned the lot had to have part of that  
25 membership in order for that to work.

1           Q.    Okay.  Are you aware of that happening,  
2   something like that happening?  Seems like a tricky  
3   situation.

4           MR. YOUNG:  Object to the form.

5           THE WITNESS:  It -- it was -- the thing  
6   was they did that.  Now, I can't remember who it  
7   was.  But you can do that if you have -- if you  
8   join forces with another guy and y'all own these  
9   things together, that's fine, but I never saw any  
10  paperwork to back up that they were -- really were  
11  part owners of the membership and the property.

12  BY MR. MCDANIEL:

13          Q.    Okay.  But you think that happened,  
14  what, one time?

15          A.    Once, once.

16          Q.    When did it become that -- when was it  
17  that you had to purchase a membership if you bought  
18  property?  Do you remember when that started?  I  
19  think you testified about it earlier.  I just can't  
20  remember what you said.

21          A.    I think that was right around the time  
22  when Dan Liese came in there, so it was -- no.  It  
23  was before then.  It was closer to 2000, I believe.

24          Q.    Okay.  Prior to that did you have  
25  people purchase property who didn't buy

1 memberships?

2 A. Uh-huh.

3 Q. That's a yes?

4 A. Yes, sir.

5 Q. Okay. And after that were you aware of  
6 people who bought property who didn't buy  
7 memberships?

8 A. Not after that, no. When that -- when  
9 that came out, that was the end of selling property  
10 without memberships.

11 Q. Okay. What if -- about the situation  
12 where property gets transferred to another family  
13 member's name? Would that -- let me --

14 A. That's allowed.

15 Q. Okay. Would the membership also have  
16 to transfer into that other person's name?

17 A. It could.

18 Q. Would it have to, though, for the --  
19 would the property owner also have to be listed as  
20 a club member? For instance, a husband and wife  
21 purchase a piece of property and the husband is on  
22 the golf membership. Would you have to have the  
23 wife's name on the golf membership as well?

24 A. No. Back then, no.

25 Q. Okay. What about if the property then

1 just gets transferred completely into the name of  
2 the wife? Would that trigger something that would  
3 -- say the club could -- the property would then  
4 need to be -- a membership would then need to be  
5 held in the name of the wife?

6 A. It didn't affect how the membership was  
7 treated. It was still -- even if it moved from  
8 both their names to one name, it's -- it was the  
9 same for that household, the same -- it was treated  
10 the same way.

11 Q. What if they got divorced?

12 A. Then we had to have a copy of the  
13 divorce decree where it said who got the membership  
14 or who got the property.

15 Q. What if the husband got the membership  
16 and he left and the wife got the property and she  
17 stayed?

18 A. Then she would have to get a membership  
19 if she wanted to use the club facilities.

20 Q. What if she didn't want to use the club  
21 facilities?

22 A. She could live there.

23 Q. That's a situation where you could own  
24 property there and not have to have a membership?

25 MR. HAIGHT: Object to the form.

1                   THE WITNESS: I don't know how that was  
2     treated when the rule came that you had to buy  
3     property, you had to buy a membership.

4     BY MR. MCDANIEL:

5                   Q.    Okay.

6                   A.    That's interesting.

7                   Q.    During your time there who was in  
8     charge of -- well, was there anyone in charge of  
9     sending the club governing documents to prospective  
10    purchasers of property?

11                  A.    We had membership plans and  
12    subscription agreements, membership applications  
13    that they had to fill out. All of that was given  
14    to everyone who -- when they were sent the contract  
15    or they got the contract or just before they got  
16    the contract, we'd sent them all the documents.

17                  They had to have covenants and all the  
18    membership things, so all of that as a package was  
19    given to them in person when they were there or  
20    mailed to them if it came about by telephone.

21                  Q.    Okay. And were you the one who would  
22    put that together?

23                  A.    Oh, yeah.

24                  Q.    Okay. And what would be in there as  
25    far as the club? Not CIPOA and not the property

1 owners association but as far as the club governing  
2 documents.

3 A. Uh-huh.

4 Q. And it might have been changed over the  
5 years, so you can kind of tell me that if there's  
6 been some difference, but what were the documents  
7 you would send to them with the contract?

8 A. I would send the membership plan. It's  
9 called the offering of -- the offering -- plan for  
10 the offering of membership is the name of it.  
11 Okay. I would send them that. And then we'd send  
12 them a subscription agreement where they're  
13 agreeing to purchase the membership and the price  
14 they're purchasing it for. The membership  
15 application, and a schedule of dues. And I'm  
16 missing one.

17 Q. Club rules?

18 A. Subscription agreement.

19 MR. HAIGHT: Object to the form.

20 THE WITNESS: The club -- the club  
21 rules at that time were part of the plan for the  
22 offering of membership. That -- plan for the  
23 offering of membership included the general  
24 description, the club rules, the bylaws of the  
25 club, and the property owners association. All

1       that was in the plan for the offering.

2               But there was one more besides the  
3       subscription agreement and the membership  
4       application. There was -- I can't think what it  
5       was. Their agreement -- there was one that --  
6       where they agree to buy the -- to pay the dues, and  
7       that's the one I can't think of the name. We had a  
8       name for it.

9       BY MR. MCDANIEL:

10           Q.   Some document that talks about the --

11           A.   The dues.

12           Q.   -- the dues and that they would agree  
13       to pay them?

14           A.   Uh-huh, yes.

15           Q.   Okay. When the club took over, did you  
16       continue to do this function of sending out --

17           A.   Uh-huh. I did, yes, sir.

18           Q.   Until when? Until you left, or did  
19       they end at some point?

20           A.   I think I did that until Dan Liese took  
21       over.

22           Q.   Okay. Do you know who did it after Dan  
23       Liese took over?

24           A.   No.

25           Q.   All right. When the club took over, we

1       discussed earlier that they -- they made some  
2       changes to the --

3             A.    Uh-huh.

4             Q.    -- to the governing documents.

5             A.    Yes, they did.

6             Q.    Did you get a copy of those documents  
7       to send from that point forward?

8             MR. YOUNG:  Object to the form.

9             THE WITNESS:  You know, I don't think I  
10       did those after -- after that period where the --  
11       when they -- when the developer and the members  
12       club worked together for a while until the members  
13       completely took over.

14            Seems to me as we speak that once the  
15       developer was pretty much out of that, then they  
16       did move the operation like we're talking about  
17       here to the club, and I'm -- the woman who was  
18       there at the time took over the -- she did the  
19       mailings out and the votes and so forth.

20       BY MR. MCDANIEL:

21            Q.    Was it Jan?

22            A.    No.  It was before.  I remember when  
23       Jan took over that.

24            Q.    So were you there at that time?

25            A.    Yeah.  I was up at the sales office,



1       yeah.

2               Q.    So it was somebody before her?

3               A.    Yeah.

4               Q.    I believe it was Jan -- is it Johnson?

5               A.    Yeah.  That's Jan Johnson, who is a  
6   property owner there.  But this what I'm talking  
7   about was the membership -- they called her the  
8   membership secretary at the -- and that was down at  
9   the clubhouse, an office set up down there.

10              Q.    It wasn't Joy Smith, was it?

11              A.    No, no.

12              Q.    Okay.  Do you have any idea who -- I  
13   guess any way we could figure out who that was?

14              A.    It was before Lindsey.

15              Q.    Do you know Lindsey Cooler?

16              A.    Uh-huh.  Yes, I do.

17              Q.    How do you know Lindsey?

18              A.    From her getting the job there at the  
19   club.  She was --

20              Q.    Was there any overlap in your  
21   employment with hers?

22              A.    Yeah.  She was at the club while I was  
23   at the welcome center.

24              Q.    Okay.  Did you work --

25              A.    Yeah.

1           Q.    Did you coordinate any of your job  
2   functions with her?

3           A.    Not really the job functions.  I don't  
4   remember her taking over anything that I kept up at  
5   the sales office.

6           Q.    Okay.  What was the function of this  
7   membership secretary as best you can remember?  
8   What was the purpose of having a membership  
9   secretary?

10          A.    I think they were taking over the --  
11   this was that time period I believe when they were  
12   taking over the running of the club, and they got  
13   the membership secretary there.  They called her a  
14   membership secretary, but it was more like -- at  
15   least from my opinion -- was assisting the general  
16   manager of the club, and the membership was part of  
17   her job down there.

18          Q.    Okay.

19          A.    But what exactly she did, I don't know.

20          Q.    Okay.  Change gears a little bit.  If a  
21   member wants to exchange their membership, two  
22   members wanted to exchange, was there any fee, or  
23   what was the process with regard to exchanging  
24   memberships between two membership holders?

25          A.    There wasn't but about a couple of

1       those that did that while I was there, and what it  
2       was -- say you have a social membership and he has  
3       a golf membership but you play golf and he's old  
4       and he can't swing a club anymore. Sorry.

5               MR. HAIGHT: Looking at me.

6               THE WITNESS: But you want to play  
7       golf, so you -- you want to swap your membership  
8       with him so you can play golf, and he's proud for  
9       it because now you're going to pay his dues, and  
10      you're going to pay any fees associated with that;  
11      however, you will still keep your social membership  
12      and you will still have social membership voting  
13      privileges, and he will still own his golf  
14      membership and he will still vote his golf  
15      membership privileges, but you are using the  
16      privileges associated with being a golf member like  
17      no greens fees, that sort of thing.

18      BY MR. MCDANIEL:

19              Q.    So you don't actually switch  
20      memberships?

21              A.    You do not switch ownership of  
22      membership, no. You only switch privileges.

23              Q.    Okay. And is there a fee associated  
24      with doing that? Does the social member pay some  
25      kind of fee for getting the golf membership

1       privileges?

2               A.    I don't remember getting a fee for it  
3       when I was doing them.

4               Q.    Okay.

5               A.    But we only had two.

6               Q.    Two that did that?  Do you remember who  
7       they were?

8               A.    One of them lived on -- oh, for  
9       goodness sakes.  They did this for years.  You'd  
10      think I'd remember it.  Lived out on Tabby Lane.  I  
11      can't remember who it was.

12              Q.    That's fine.  When the membership  
13      switched over to the members owning it --

14              A.    Uh-huh.

15              Q.    -- are you aware of any change in that  
16      policy of how that was conducted?

17              A.    No.  I am aware of no change in that.

18              Q.    Okay.  Are you aware of any provision  
19      that said there should be some fee paid to do that  
20      exchange?

21              A.    I don't remember.  There may have been  
22      a fee paid, but I don't remember it.

23              Q.    Okay.  Are you aware of what the  
24      significant or -- earlier you testified about a  
25      member resigning.

1 A. Uh-huh.

2 Q. I was asking you about that.

3 A. Uh-huh.

4 Q. Tell me again, what -- before the  
5 members took over, what was the effect of a  
6 membership submitting a resignation -- or a member  
7 submitting a resignation of their membership? What  
8 would happen to that membership?

9 A. It would ride the resale list.

10 Q. Okay. After it was changed over to the  
11 governing by the members --

12 A. Uh-huh.

13 Q. -- did that process change in any way  
14 that you're aware of?

15 A. I'm not aware of that process changing,  
16 no.

17 Q. Was it your understanding that a member  
18 could still resign after the members took over?

19 A. Oh, yes. That's in the club plan.

20 Q. Okay.

21 A. Unless they voted it out and I didn't  
22 know it.

23 Q. Okay. How would the -- or who was  
24 responsible for stopping the billing of dues and  
25 fees once a membership is sold or off the resale

1 list or otherwise moved out of somebody's name?

2 How would the billing department know to stop  
3 sending them bills?

4 MR. YOUNG: Object to the form.

5 THE WITNESS: Well -- would you say  
6 your question again?

7 BY MR. MCDANIEL:

8 Q. Sure. I'm wondering, when a member was  
9 -- either sold their membership or transferred it  
10 in some way, who was notifying the billing  
11 department, or was the billing department part of  
12 that, perhaps, to stop sending them bills?

13 A. I notified --

14 MR. YOUNG: Same objection.

15 THE WITNESS: -- accounting whenever we  
16 got a contract to purchase those, and when they  
17 were closed, I notified them. I notified them when  
18 we got the closing of the deal. Whenever the  
19 property closed, they were notified which  
20 membership was sold, who went with it.

21 BY MR. MCDANIEL:

22 Q. And how did you notify them?

23 A. How did I know what?

24 Q. How did you notify them? Was that done  
25 on the computer, a computer entry, or was that a

1 letter?

2 A. We had to notify them. I sent them  
3 copies of the -- the closing documents, and I don't  
4 know about -- besides the weekly reports, it was --  
5 it was verbal as far as I can remember other than  
6 giving them the settlement statement from the  
7 properties that sold and telling them this was a  
8 resale membership because in all the reports we did  
9 we'd have the name of the purchaser and where -- if  
10 he's buying a membership, where that membership  
11 came from.

12 I had a -- well, I had a list prepared  
13 of every sale because -- and it's a sheet of paper  
14 that's in that report, the weekly report. For  
15 every sale I had, like, the person's name and then  
16 it would be the -- like Callawassie Island Company  
17 membership and then the person's name, Callawassie  
18 Island Company membership, person's name,  
19 Callawassie Island membership, purchaser's name,  
20 Mr. So and So from the resale list, because we had  
21 to sell three developer memberships. The fourth  
22 one came off of that property list.

23 Q. Okay.

24 A. I mean that resale list. So that was  
25 kept so you could tell right away whenever so and

1       so bought that this man's membership was sold, and  
2       it was verbally other than the reports.

3           Q.    Okay.  And during the time you were  
4       there, if some -- are you aware of anybody walking  
5       away from their membership so to speak, just  
6       leaving town and saying they -- you know, they're  
7       leaving and saying they can't pay dues anymore and  
8       they're leaving town, anything like that?

9           A.    I don't know of anybody that said that  
10      to me or --

11          Q.    Well, anything like that --

12          A.    -- anything like that.

13          Q.    -- where they basically just had, I  
14      guess, attempted to resign their membership and  
15      then just left, weren't continuing to -- anybody  
16      that ended their membership without going on the  
17      resale list?

18                MR. YOUNG:  Object to the form.

19                THE WITNESS:  There was -- there was  
20      one man or one family or owner who sold their  
21      property, and they had a golf membership, and they  
22      left, but I don't know what happened to his golf  
23      membership.

24      BY MR. MCDANIEL:

25          Q.    Okay.



1           A.    I -- it didn't go on the resale list,  
2   and I have no clue what happened to it.

3           Q.    And who was that person?

4           A.    I'm not a hundred percent sure who that  
5   person is. I can see -- I can see his smile when  
6   he went out of the office, and I said something  
7   about the membership, and he told me to read the  
8   documents.

9                    I was questioning where -- what about  
10   his membership because he was moving, I think to  
11   Florida. They were moving to Florida. And he said  
12   something -- which I knew the person who bought his  
13   house did not buy a -- buy his membership, but he  
14   -- what did he say?

15                   I was curious as to where his  
16   membership went. I wish I could say it was him,  
17   but I can't say it was him.

18           Q.    Do you remember who purchased it, the  
19   property?

20           A.    No. But it wouldn't be hard to find  
21   out.

22           Q.    How?

23           A.    They should have the records of who  
24   bought the house --

25           Q.    What house was it?

1           A.    -- and then you can look back on the --  
2    it's the last house on Sugar Mill Drive on the  
3    right, on the pond in the golf course.

4           Q.    Okay.

5           A.    You can go down his -- on the BC.gov  
6    records in there and --

7           Q.    Last house on Sugar Mill Drive on the  
8    right?

9           A.    I want to say he's like 30 -- let's  
10   see. The even numbers are on one side. The odd  
11   numbers on the right side, and it was on the right  
12   side. It was like 35 or 36 Sugar Mill Drive,  
13   somewhere along in there.

14          Q.    Okay. Do you remember when, about,  
15   that was, the year?

16          A.    That was the -- like 2000 -- 2001,  
17   2002, somewhere along in there. Just before the  
18   Dan Liese takeover.

19          Q.    Okay. Did you ever get any answer  
20   about that? Did you ever --

21          A.    The answer I got was -- I remember  
22   asking something about the membership. I remember  
23   asking something about the membership, and he --  
24   somebody said somebody -- or he said some flip  
25   answer.

1                   I can't -- I can't remember him saying  
2   he sold his membership but -- or he got rid of his  
3   membership or something along those lines, and he  
4   -- and he gave me a funny smile, and I said  
5   something about how he got rid of his membership or  
6   how -- something along -- I cannot remember word  
7   for word, but I remember the answer he gave me was  
8   to read the documents, it's in there. And that's  
9   the answer I got.

10                Q.   Do you remember reading the documents?

11                A.   I read -- I read through the documents  
12   again, and I couldn't figure out how he found a  
13   loophole in there.

14                Q.   Did you --

15                A.   And I asked.

16                Q.   You asked your --

17                A.   And I was never given an answer because  
18   they knew if they gave me the answer I might tell.

19                Q.   Who did you ask?

20                A.   Mont Blaisdell.

21                Q.   Okay. And he didn't want to -- he  
22   didn't want to tell you?

23                MR. YOUNG: Object to the form.

24                THE WITNESS: He -- it's not that he  
25   didn't want to tell me because Mont was very --

1 I'll say closed mouth. He didn't gossip. He  
2 didn't tell things he knew, and he didn't tell  
3 things he didn't know. If he didn't say anything,  
4 that wasn't an indication whether it was true or  
5 false. He just didn't say things.

6 And if you asked him about something,  
7 he'd listen to you, but he wouldn't commit to, you  
8 know, we cut him a deal on the side. Never,  
9 huh-uh, no. It was that or it was appreciate you  
10 telling me. It was always appreciate you telling  
11 me or appreciate you talking to me or whatever. So  
12 I got no satisfaction on that answer.

13 BY MR. MCDANIEL:

14 Q. Okay. Did you ever take it to anybody  
15 else after --

16 A. No.

17 Q. -- Mont? Okay.

18 A. No. Because he had the ear of  
19 everybody, so -- and I certainly wasn't going to go  
20 around him. As long as Mont knew about it, that  
21 was okay with me, whatever they --

22 Q. Right. Are you familiar with the  
23 procedure, the club procedure, with regard to  
24 expelling members?

25 A. No.

1           Q.    Are you familiar with anyone ever being  
2 expelled from the club?

3           A.    Do you mean by not paying dues or  
4 something like that or what?

5           Q.    I mean, generally. Any expulsion, any  
6 time you would indicate somebody was expelled?

7           A.    I remember somebody got expelled from  
8 the club, but I don't remember what it was for or  
9 anything.

10          Q.    Okay. The question you ask -- or the  
11 question you suggest is fine too. Any indication  
12 of expulsion with regard to not paying dues?

13          A.    Yeah. We were told of whoever it was,  
14 that certain people, that their dues were so bad  
15 they weren't allowed on the golf course and they  
16 couldn't play and they couldn't eat at the club,  
17 and we'd get lists of people who were in arrears  
18 like that, is what they called them.

19                But expelled from the club, I don't  
20 remember ever being said -- told that this person  
21 has been forced out because he can't pay or  
22 whatever.

23          Q.    And are you familiar with the term  
24 being suspended, a suspended member?

25          A.    Yeah. They'd get on suspension.

1 Q. What would suspended member mean?

2 A. That they were late paying their dues  
3 generally is what it meant.

4 Q. But the penalty was what? Or was there  
5 a penalty?

6 A. There was -- the only thing was they  
7 couldn't use the club until they started paying, so  
8 that was their penalty that I know of.

9 Q. And that would be the suspension part  
10 of it?

11 A. Yeah. They would be suspended from  
12 using the club until they brought their accounts up  
13 to date.

14 Q. So their privileges were suspended?

15 A. Privileges. You're correct.

16 Q. Okay. And when they're expelled, what  
17 would be your understanding of what that would  
18 mean?

19 A. That the club had had an action -- had  
20 made an action against the club member, taken him  
21 to court or sued him for the money that they were  
22 owed, and somehow it being settled or whatever and  
23 they were -- they were expelled. They didn't  
24 voluntarily sign a paper and say, okay, here.

25 Q. Would it be that they would no longer

1 be members if they were expelled?

2 A. Correct.

3 Q. Are you aware of the club ever owning  
4 any of its own memberships?

5 A. Yes.

6 Q. How did the club come about to own  
7 memberships?

8 A. The club -- there's conceded and  
9 expelled written on that resale list. The  
10 conceded, for -- for a time the people who were way  
11 behind on their accounts were sent a letter saying  
12 that if they would bring their accounts up to date,  
13 they could concede their membership back to the  
14 club.

15 Q. And what would that mean, to concede  
16 it?

17 A. That would mean that they would give up  
18 any ownership in that membership and that the club  
19 would take it over.

20 Q. Okay.

21 A. They may -- besides bringing their --  
22 what they owed up to date, I think some were --  
23 some had to pay an extra year's dues on it. I  
24 don't remember if everybody had to do that or just  
25 some of them.

1           Q.    Okay.  Do you know who designed that  
2   policy?

3           A.    That was -- no.  That was done out of  
4   my -- it wasn't in my office.  That was done from  
5   the club, and I didn't have any part of that -- any  
6   of those discussions.

7           Q.    Do you know who was -- who would that  
8   have been that was making that -- those  
9   determinations?

10          A.    It seemed like to me the attorney was  
11   -- was his name Weston --

12          Q.    Weston Newton?

13          A.    Yeah.

14          Q.    Okay.

15          A.    And it seemed like to me John Adams was  
16   the general manager down there at that time, but I  
17   may be wrong.  It seemed like they had a general  
18   manager down there who did all of these letters and  
19   went through all these hard times, and as soon as  
20   he went through these hard times they replaced him.

21          Q.    So you're saying the ones that are on  
22   there that -- they can say conceded or what's the  
23   other?

24          A.    Expelled.

25          Q.    So do you know how they would have been



1       expelled? I mean --

2           A.    The club told me -- would tell me that  
3       this person is no longer a member of the club; he  
4       has been expelled because he -- I believe they had  
5       an action, had taken action against him to take the  
6       membership back because he hadn't paid; you know,  
7       owed them a bunch of money.

8           Q.    Okay.

9           A.    And that was done -- see, my perception  
10      is that it was done through court and legal action  
11      that that membership was taken back from that  
12      owner.

13          Q.    Okay.

14          A.    And so the club took possession of the  
15      ownership because of the dues that were so high  
16      that the equity in the membership were gone, and  
17      that's my understanding of that.

18          Q.    Okay.

19               MR. YOUNG: Could we take a break?

20               MR. MCDANIEL: Sure.

21               (A recess transpired.)

22      BY MR. MCDANIEL:

23          Q.    So you were trying to -- you were  
24      saying you were trying to recall whether maybe  
25      Susan Livingston --

1 A. Yeah. I can't --

2 Q. -- sounds familiar to you?

3 A. Yeah. I can't -- for some reason

4 that's sticking in me, but I was trying to remember

5 the name of the secretary who I -- who was working

6 there as the membership secretary when -- I believe

7 his name was -- I want to say John Adams was the

8 general manager of the club, and she was the one

9 that was working with conceded and expelled stuff.

10 Q. Okay. I'd asked you earlier about Bill  
11 Hawkins.

12 A. Yeah.

13 Q. So you know who that is?

14 A. Yeah.

15 Q. Okay. Was Bill the one that had --

16 that you were talking about a minute ago that sold

17 that property that said look in the documents?

18 A. Yeah, yeah. I believe -- I believe he

19 is the one. I'm not a hundred percent sure.

20 Q. Okay. What was his position at that

21 time? Do you know? Did he have a position with

22 the club?

23 A. He was president of the club, but I

24 think he was not president of the club when this

25 event occurred.

1 Q. Okay. He had been the past president?

2 A. Yes.

3 Q. And are you familiar with Ron and

4 Patricia Terwilliger?

5 A. Yes. They're divorced.

6 Q. All right. Do you recall what happened

7 with their memberships from the divorce or their

8 membership?

9 A. Did he keep it or she kept it? I know  
10 she got a lot out on Tabby Point, and I want to say  
11 she got the membership, but I can't be positive.

12 Q. Okay. All right. If you had a  
13 question about something like that, like would she  
14 get a membership, would she have to buy a  
15 membership, who would you have asked? Who would  
16 you go to for those kind of answers about --

17 A. Mont.

18 Q. Was that Blaze?

19 A. Mont Blaisdell.

20 Q. Mont Blaisdell. Okay.

21 A. Uh-huh.

22 Q. When the club took over, was there a  
23 contact with the club that you would go to?

24 A. Huh-uh.

25 Q. No?

1           A.    No.  No, sir.  Just Mont.

2           Q.    Okay.  Do you know -- is it Brian  
3   Lasota?  Do you know who that is?

4           A.    Yeah.  I know that name.  Why do I know  
5   that name?

6           Q.    I'll represent he might have been a  
7   club manager at some point, one of the general  
8   managers?

9           A.    I know the name, but I can't put him  
10   anywhere.  If he was club manager, I didn't have  
11   any contact with him.

12          Q.    Okay.  Are you aware of any  
13   confidential settlements being made with any  
14   members?

15          A.    No.

16          Q.    Are you aware of any offers being made  
17   that included confidentiality as part of the terms?

18          A.    No.

19          Q.    Okay.  Do you know whether or not -- I  
20   just want to ask you about a few people, whether or  
21   not you know they got any sort of unusual or  
22   special deal with regard to their membership.

23                Karen Norwood?

24                MR. YOUNG:  Object to the form.

25                THE WITNESS:  I don't know of her

1 getting any deals.

2 BY MR. MCDANIEL:

3 Q. Okay. What about the Oelkers, Jeffrey  
4 and Jane Oelker?

5 A. I recall the names, but I don't recall  
6 any deals.

7 Q. Okay. Wurtzbacher, Terry and Patti  
8 Wurtzbacher?

9 A. I don't recall any deals with them. I  
10 remember them, but no deals.

11 Q. What about Harman Switzer?

12 A. Of course I know him because he was one  
13 that would sign their certificates when I got their  
14 certificates done, but I don't know of any deals  
15 with him.

16 Q. What was his position to sign the  
17 certificates?

18 A. He was either the secretary or -- let's  
19 see -- secretary or -- I don't think he was  
20 president. He might have been.

21 Q. Of what?

22 A. The club. And that was when the club  
23 had taken over because he took over -- whenever  
24 there was a membership document and so forth, he  
25 would take care of that, like the signing of the

1 certificates.

2 Q. Okay. Was he the first -- who was your  
3 first contact with the club when they took over?  
4 Did they appointment somebody or nominate some -- a  
5 president or somebody to represent the club?

6 A. I don't know -- I don't know that.

7 Q. Okay.

8 A. I don't know that.

9 Q. That's fine. If you can, the best you  
10 can, tell me what's the -- who were the -- the  
11 contacts other than Harman Switzer that you dealt  
12 with during your time there?

13 MR. HAIGHT: Object to the form.

14 THE WITNESS: Karen Norwood,  
15 Mr. Switzer. There was somebody with Mr. Switzer  
16 when he would come up to sign the documents, and I  
17 can't think of his name. Occasionally Jan Johnson,  
18 but that wasn't very much.

19 BY MR. MCDANIEL:

20 Q. What was Karen Norwood's position? Do  
21 you know?

22 A. I think she was either a committee  
23 chairman or part of the board.

24 Q. What was Jan Johnson's position?

25 A. I don't know what her position was. It

1       seems like either I handed her the reports or --  
2       that were needed for committee meetings. It wasn't  
3       working with -- you know, doing anything with them.  
4       She was would come to the office to get -- get  
5       paperwork or something.

6               Q.    Are you aware of any dispute between  
7       the Callawassie Island Company, Chaffin/Light, and  
8       the club that developed any ongoing contention or  
9       dispute?

10               MR. YOUNG: Object to the form.

11               THE WITNESS: I wasn't aware of any.

12       BY MR. MCDANIEL:

13               Q.    Are you aware of any -- of the  
14       settlement between the two of them, any sort of  
15       settlement agreement?

16               A.    No, no.

17               Q.    And I guess there was no formal or  
18       informal litigation begun as far as you're aware  
19       between those parties?

20               A.    No, no. I didn't know anything about  
21       it if it was.

22               Q.    Okay. Are you aware of whether or not  
23       the club submitted -- well, strike that.

24                       How was the club's accounting taken  
25       care of after the members took over, after the

1 membership?

2 A. What kind of accounting?

3 Q. Their daily, their business accounting.

4 I mean their basic business operations.

5 A. I had no -- no knowing -- no knowledge  
6 of any of that. None of that as was in my purview.

7 Q. Okay. Do you know whose area that  
8 would be that would have known that?

9 A. Joy Smith would certainly have known  
10 that. Mont Blaisdell.

11 Q. Okay. All right. What's the policy  
12 while you were there with regard to resident or  
13 nonresident dues being charged to members?

14 A. They were charged resident dues if they  
15 lived on the island for 90 days, 90 consecutive  
16 days, they were charged resident dues, and that was  
17 watched very closely. We had one resident who was  
18 there 89 days and then he'd leave, every year.

19 Q. Okay. Were some members charged  
20 resident dues on some of their memberships and  
21 nonresident on --

22 A. Yes, they were.

23 Q. How did that come about? What was the  
24 policy with that?

25 A. The developer did that. The property



1 owners, when they took over -- or the members, when  
2 they took over, they wanted -- if they -- if the  
3 man was a resident, they wanted both membership --  
4 both memberships to be resident even if he only had  
5 a -- if he had a lot and not even a house to be  
6 charged a resident on it.

7 If you lived in a three-county area, 90  
8 consecutive days, if you had five memberships, they  
9 wanted the -- the members wanted five resident  
10 dues, but the developer would charge nonresident  
11 dues for the second membership.

12 Q. And what about the third membership?  
13 Same?

14 A. Yeah.

15 Q. Okay. Was that a point of contention  
16 with the members?

17 MR. YOUNG: Object to the form.

18 BY MR. MCDANIEL:

19 Q. Let me rephrase it. Did any members  
20 voice any concerns to you about that change?

21 A. There was -- seemed to be a big -- I  
22 remember that there was a big brouhaha over that  
23 when the members wanted to make it full resident  
24 dues, of course, because people said, oh, you  
25 promised me that I would be a -- get nonresident

1       dues. But after the turnover and the members took  
2       over, of course the developer lost control of that.

3               You asked me about a deal that was cut.

4       There was one where Jackie Leffers and her husband,  
5       Colonel Leffers, they had a golf membership. They  
6       were one of the early purchasers on Callawassie.  
7       And Mr. -- or Colonel Leffers got cancer or  
8       whatever and couldn't play golf anymore and they  
9       really couldn't afford the golf dues, so they came  
10      and talked with Mont Blaisdell.

11             This was when the developer owned it.  
12      And they wanted to stop paying golf dues and pay  
13      social dues because they still wanted to eat at the  
14      club but they didn't want to play golf.

15             And they told him because they had  
16      supported Callawassie from almost the very  
17      beginning, could they work with them on that, and  
18      the developer agreed to it, so they paid social  
19      dues even though they owned a golf membership.

20             Q.    Okay. Were they allowed to turn in the  
21      social membership eventually, or was that the full  
22      extent as far as you know?

23             A.    As far as I know, that stayed like that  
24      was until turnover, when the members club got it,  
25      and they wrote Ms. Leffers a letter and said you

1     need -- you have to start paying golf dues, and  
2     their names -- as you see, they should be up there  
3     on the -- that resale list, but it never was turned  
4     into a social membership. It was still a golf  
5     membership, and they sent her all those letters and  
6     threatening, quote, letters.

7             Q.    Do you know if she was paying golf  
8     dues?

9             A.    She was not. She was paying social  
10    dues. You're talking about when the members club  
11    took over? I don't know that she was paying  
12    anything then. I don't know. Probably so, knowing  
13    her, but I don't know.

14            Q.    Probably so what? Probably she was  
15    paying something or probably she wasn't?

16            A.    She was probably paying the social  
17    dues, and then when the members took over, I don't  
18    know what -- you know, whether they were charging  
19    her social or golf dues and she only paid the  
20    social part or did she stop paying altogether. I  
21    don't know.

22            Q.    Okay. Are you aware of any lawsuit  
23    being filed against her?

24            A.    I heard that they were -- they were  
25    going to, and the reason I heard that is because

1       there's a man named Jack Cassells who is a  
2       litigating attorney -- I believe he's from New  
3       York -- and as a friend to Mrs. Leffers, he would  
4       present her case to the members club about not  
5       charging her the golf dues.

6                       But I don't know what ever came of  
7       that, but that happened about every year when she  
8       would get a letter from the members club, and then  
9       Jack Cassells would call me and ask me questions  
10      about when -- we'd have to go over everything every  
11      single time from the very beginning, and so that's  
12      why I remember her case like that.

13             Q.    But you don't know whether or not he  
14      was -- Jack Leffers was -- resolved the matter or  
15      not?

16             A.    I don't -- I thought and we all thought  
17      that it had been resolved. When the members first  
18      took over -- Karen Norwood would know all about  
19      this --

20             Q.    Okay.

21             A.    -- because I talked to Karen Norwood  
22      about it, and I believe Karen Norwood agreed that  
23      she should continue with the social dues, if  
24      anything but morally should, but I -- it was my  
25      opinion that they were going to allow her to

1       continue with the social dues, and then the next  
2       thing I know, they're sending her another letter.

3             Q.    Okay.

4             A.    It would seem like it was take -- to me  
5       it would seem like it was taken care of for a while  
6       and then either a new committee got put together or  
7       a new president was elected or whatever, and then  
8       the letters would start back up again.

9             Q.    Did you see that a lot where the  
10      individual members would be treated -- the issues  
11      would change based on who the leadership was?

12            MR. YOUNG:   Object to the form.

13            MR. HAIGHT:   Object to the form.

14            THE WITNESS:   No.   I can't say that I  
15      saw any changes other than -- other than there  
16      would -- there would be a new idea that would come  
17      out of it, like the 20 percent-80 percent rule on  
18      the sale of memberships where the -- like a new  
19      governing body would take over and then the next  
20      thing we heard was they're going to do away with  
21      the 20 percent being returned to the owner; the  
22      club would keep 20 percent of the selling price.  
23      That 20-80 rule where when you sold your membership  
24      you got back what you paid for it or 80 percent of  
25      then-selling price.

1 BY MR. MCDANIEL:

2 Q. What's your understanding of it --  
3 meaning as an equity membership? Do you know what  
4 that means, what --

5 A. As far as I understand it, the equity  
6 membership was -- was actual ownership. Like when  
7 you bought your property, you actually owned your  
8 property. When you bought the membership, you  
9 actually owned the membership and you could will  
10 it.

11 You could sell it with your property or  
12 you could keep it, that it was independent of the  
13 property. It was not tied to the property and  
14 that, when you sold that membership, you would  
15 receive money back from the sale of that  
16 membership.

17 Q. Okay. I do want to show you a couple  
18 of these resale lists and get you just to -- do you  
19 recognize this document I just gave you,  
20 two-page --

21 A. Unfortunately. I hate this document.  
22 Yes, I recognize it.

23 Q. Why do you hate this document?

24 A. Because I felt so bad for the people on  
25 here.

1           Q.   Why?  I mean what's that -- what's  
2   the --

3           A.   Because it took so long, long, long to  
4   sell the membership, and as my father would say, it  
5   was like feeding a dead horse, like alimony.  
6   You're feeding a dead horse when it was like this.

7           MR. MCDANIEL:  I'd like to mark that as  
8   Exhibit 1.

9                     (DFT. EXH. 1, Golf Membership Resale  
10   List and Social Membership Resale List, dated  
11   April 6, 2005, was marked for identification.)  
12   BY MR. MCDANIEL:

13          Q.   Let me switch with you so you can look  
14   at the one that's been marked.

15          A.   Okay.

16          Q.   It should be the --

17          A.   Okay.

18          Q.   -- same thing.  It's a two-page  
19   document.  Can you tell me what's the difference  
20   between the first and the second page?

21          A.   The second page, these are the social  
22   memberships that were placed on the resale list.

23          Q.   All right.

24          A.   It was never very long.  It was only a  
25   few.

1 Q. And the date on the right corner says  
2 4/6/2005 on both of them; is that right?

3 A. Yes, sir.

4 Q. And does that mean that's -- what does  
5 that date tell you? That's when it was created?

6 A. The date I printed it.

7 Q. Okay. If you look at the first page,  
8 which we have as the golf membership resale page or  
9 identifying it, the columns at the top have name  
10 and then status and some things going across there.  
11 Let me ask you, with the -- under the name column,  
12 when it says CI Club and then a parenthesis and  
13 name, what does it mean that the owner is CI Club?

14 A. That meant that the club now owned that  
15 membership and the person's name that's in  
16 parentheses, I kept that there as whose membership  
17 the club got.

18 Q. Okay. Would that mean that that person  
19 was no longer a member?

20 A. Correct, correct. The club had his  
21 membership and the person was out of here.

22 Q. Can you tell from this resale list how  
23 that person -- how the club ended up with that  
24 membership and the person got out of here?

25 A. It was my understanding -- and let me



1 tell you that I didn't -- I didn't have any work or  
2 direct knowledge or I didn't prepare any of the  
3 letters or sit in on any committees or anything.

4 This is my understanding; that conceded  
5 meant the owner of the membership -- like number  
6 14, Mr. Knearl, he owned the membership. He was  
7 probably way in arrears with his dues, and the club  
8 sent him out a letter saying -- all the arrears  
9 people, they supposedly sent out this letter that  
10 said if you will bring your club dues current --  
11 and I'm not sure if they had to pay an extra year's  
12 dues. I'm not sure on that. They may have or  
13 maybe they didn't, but if they would bring their  
14 account up to date and agree to sign over any  
15 ownership, that membership to the club, then they  
16 would not pursue them in court.

17 Q. Okay.

18 A. They would not put up anything against  
19 their name in the credit bureaus or anything.

20 Q. Okay. And you think they sent them a  
21 letter out with that offer?

22 A. Yeah, yeah. Sure do.

23 Q. Okay. And if you skip over a few -- a  
24 couple columns, it says date placed.

25 A. Uh-huh.

1           Q.   That means the date they were placed on  
2   the resale list?

3           A.   Correct.

4           Q.   Okay.  And would that be the same date,  
5   for these people that says conceded, that they had  
6   -- that concession had occurred, that conceded  
7   membership had occurred?

8           MR. HAIGHT:  Object to the form.

9           THE WITNESS:  The date placed is the  
10   date that that membership, no matter who owned it  
11   then or on this list -- that's the date that that  
12   membership, not person, but the membership was  
13   placed on that list.

14   BY MR. MCDANIEL:

15           Q.   Okay.  How were you informed -- or let  
16   me ask you this:  Did you place anybody on the  
17   membership list with the instructions that their  
18   membership had been conceded and put them on the  
19   membership -- on the resale list?  Excuse me.

20           A.   No.  The only memberships I know -- I  
21   know of that got conceded were these people that  
22   were already on the membership list.

23           Q.   Okay.  So this membership list of 93  
24   people --

25           A.   Uh-huh.

1           Q.    -- at what point were you the one  
2    putting people on this resale list?

3           A.    When they first placed it on there?

4           Q.    Yes.

5           A.    I'm the one who did this list, started  
6    this list and kept it.

7           Q.    Okay.  So from person one back in 19 --  
8    what does it say -- 98 --

9           A.    Yeah.

10          Q.    -- you are the one who would have been  
11    putting them in -- entered their name into this  
12    resale list?

13          A.    That's correct.

14          Q.    Okay.  And some of these go down to --  
15    let's just pick one in the middle down here, number  
16    31.

17          A.    Okay.

18          Q.    Gleberman.

19          A.    Gleberman.

20          Q.    Okay.  And it says 12/29/99, and then  
21    it has --

22          A.    Yeah.

23          Q.    That's one of the ones that say  
24    conceded.

25          A.    Yeah.

1           Q.   How did you know that -- how were you  
2 instructed to put that on the resale list?

3           A.   I was -- now, Gleberman was already on  
4 the resale list.

5           Q.   Okay.

6           A.   When he conceded his membership to the  
7 club, I was told that he had conceded his  
8 membership to the club, so that is when I would put  
9 CI Club.

10          Q.   Okay.

11          A.   And see -- it would first be in  
12 position 31 that you're looking at under  
13 Gleberman's name.

14          Q.   Right.

15          A.   Then he concedes his membership to the  
16 club, so then I changed the ownership or the --  
17 well, it's --

18          Q.   Owner.

19          A.   That's what I was doing them by, the  
20 owner, would then be CI Club, and I left Gleberman  
21 in parentheses to indicate whose -- who the  
22 membership belonged to because that was where  
23 Gleberman was on the list when this concession  
24 occurred.

25          Q.   And did he first get on the list

1 12/29/1999?

2 A. He did.

3 Q. Okay. Can you tell from this list when  
4 you made that change to CI Club and conceded?

5 A. The last column is typed in conceded  
6 12/14/01.

7 Q. Okay.

8 A. Is that right? You've got a ruler?

9 Q. That seems to follow across, yes.

10 A. Okay.

11 Q. And so that would have been the date.  
12 You would have kept the note there --

13 A. I put the note there when they conceded  
14 if I had the date.

15 Q. Okay. So he was on the resale list,  
16 was behind, was offered this deal, most likely. I  
17 mean, I know you don't know --

18 A. Yeah.

19 Q. -- particularly with him, maybe, but --

20 A. Yeah.

21 Q. And then the club took him back and  
22 said he conceded it 12/14/01.

23 MR. YOUNG: Object to the form.

24 BY MR. MCDANIEL:

25 Q. Does that sound correct, from what

1       you're seeing on the resale list?

2                   MR. YOUNG: Object to the form.

3                   THE WITNESS: He conceded, yeah,

4       December 14, '01.

5       BY MR. MCDANIEL:

6                   Q.    Okay. And so if we skip down to like

7       -- let's look at number 72, Stines.

8                   A.    Meredith Stines. Okay.

9                   Q.    And so she would have conceded hers by  
10       September of '03?

11                   A.    Conceded, yes.

12                   Q.    Okay. What about -- well, what about

13       A. J. Glenn, 81?

14                   A.    A. J. Glenn, 81.

15                   Q.    It's the only one that doesn't have a  
16       date placed on it. I'm just wondering if you know  
17       what was --

18                   A.    A. J. Glenn.

19                   Q.    Eighty-one.

20                   A.    Conceded date. Why didn't I put a date  
21       there?

22                   Q.    And do you know -- can you interpret  
23       for me what that -- under the property column where  
24       you had earlier been saying conceded and a date,  
25       there it seems to say -- I can't really read it:

1 SL member concede?

2 A. Spring Island. He was a Spring Island  
3 -- a lot of these people on this list, when they  
4 purchased property at Spring Island, which is a  
5 sister development to Callawassie -- Jim Chaffin  
6 and his group did Spring Island, and their offering  
7 to their new members was a founder membership in  
8 the Callawassie Island Club, so they got a free  
9 membership in the Callawassie Island Club. There  
10 were 36 of them, and A. J. Glenn was one of them.

11 Q. Okay.

12 A. I don't have a clue unless that was --  
13 unless this is a copy of a photo -- copy of one  
14 that might have had the date written in a different  
15 color --

16 Q. Right. Okay.

17 A. -- and it didn't come through because I  
18 see February '90.

19 Q. And that's written in a different --  
20 well, no, there's some others like that.

21 A. Well, we didn't know for the original  
22 date purchased because that was done with the  
23 Spring Island deal, and I didn't have copies of  
24 contracts or anything from them.

25 Q. Okay. And --

1           A.    And that SI is just Spring Island  
2   member conceded so I would know who A. J. Glenn  
3   was.

4           Q.    Let's go down to 87 there.  It says:  
5   CI Club, Oelkers?

6           A.    Uh-huh.

7           Q.    And it says conceded, and then in the  
8   notes it says -- I believe it says sold home.

9           A.    Yeah.  When he went on, he had his home  
10  all -- he still had his home.

11          Q.    Okay.

12          A.    And then when -- if he was on this list  
13  and his home sold, that's what I did, put sold  
14  home, because they were trying to kind of keep up  
15  with who had only a membership and who had a home  
16  or a lot and a membership on this list.

17          Q.    Okay.

18          A.    So he put his name on the list and then  
19  sold his home.

20          Q.    And can you tell from this when his  
21  membership was considered conceded?

22          A.    No.

23          Q.    Okay.  But it would be your  
24  understanding that Oelkers would no longer be  
25  paying, would be no longer --



1 A. Right.

2 Q. -- owning that membership?

3 A. He was no longer a -- that's correct.

4 Q. Okay. Even though he's on the resale  
5 list?

6 A. Uh-huh.

7 MR. YOUNG: Object to the form.

8 BY MR. MCDANIEL:

9 Q. And then there's a one, two, three,  
10 four, five, six, seven, eight, nine, ten, eleven --  
11 I see 14, that I'm counting up, say expelled, and  
12 then of course that's the number you have at the  
13 top too.

14 A. Oh, good.

15 Q. Thirty-one -- yeah. You've got it  
16 totaled there for us. Thirty-one conceded.

17 A. Uh-huh.

18 Q. The ones that are expelled, is it -- I  
19 was a little confused. I thought earlier you said  
20 you don't recall any litigation with the members.

21 A. Yeah. I don't.

22 Q. Okay.

23 A. I wasn't part of that. I was just  
24 informed when they were expelled, and it was my  
25 understanding that they had taken this membership

1       rather than being given this membership.

2           Q.    Okay.  And you understand they've done  
3   that 14 times --

4           A.    Uh-huh.

5           MR. HAIGHT:  Object to the form.

6   BY MR. MCDANIEL:

7           Q.    -- at least according to your resale  
8   list.  Were you instructed about the expelled  
9   members as to -- how were you informed as far as  
10   put this person on the resale list, their  
11   membership, and indicate that they're expelled?

12          A.    I believe sometimes I got a note.  
13   Sometimes I was called.

14          Q.    Okay.

15          A.    Sometimes something would come in to be  
16   put in a file that I would see it, but I was  
17   usually told about it.

18          Q.    But you weren't part of the process --

19          A.    No.

20          Q.    -- of informing them or --

21          A.    No, sir.

22          Q.    -- having any member expelled?

23          A.    No, sir.  I was not part of any of  
24   that.

25          Q.    Okay.  And you don't know the grounds

1 under which any of these people were expelled?

2 A. I do not. Never saw any legal  
3 documents at all.

4 Q. Okay. And according to this resale  
5 list, that that occurred up through -- well, do you  
6 know, from this -- let me ask you about, let's say,  
7 92, Shaw, William Shaw. Why does it have CIC  
8 beside that name? Do you know?

9 A. Number 92?

10 Q. Yes.

11 A. Oh, because it's CIC. Oh. I don't  
12 remember. I don't remember. I don't know why I  
13 put CIC instead of CI Club. That's a good  
14 question. I don't know.

15 Q. Okay.

16 A. Sitting here now, I would say that it  
17 was CI Club and for some reason I didn't put it  
18 that way.

19 Q. Well, that was in -- it looks like it  
20 was -- date placed was 2005.

21 A. Uh-huh.

22 Q. Were you still there -- you were still  
23 there in 2005, I think?

24 A. 2005, February. Let me -- oh, I'd have  
25 to count back again. What was it? 2008, February.

1 April 2008, that was when I went to work for Spring  
2 Island, so 2005, that -- trying to think if I was  
3 doing that list -- this list in 2005 even. Because  
4 I had to have done this list. So if that was it --  
5 I remember Jan Singer coming on the list.

6 Q. Why do you remember her?

7 A. Because she was a friend of Jan  
8 Johnson.

9 Q. So was there any special issue with  
10 her?

11 A. No. The issue I'm trying to think of  
12 is -- I'm trying to think of --

13 Q. Trying to get your dates?

14 A. -- when I put the -- yeah. When I --  
15 exactly. When I put Shaw on this list. See --  
16 see, there's no agent listed there. There's no  
17 agent's initials listed there, and I always put the  
18 agent, who the agent would be.

19 Q. Do you know who took this over, who --  
20 did you train anybody, or do you have any idea who  
21 might have taken this over once you left?

22 A. I didn't train anybody. What I  
23 probably did was gave them the disk, gave them a  
24 disk of this, of this list, and then they could  
25 print it out.

1 Q. Do you know who that would have been?

2 Do you have an idea?

3 A. Yeah. The girl I'm trying to remember  
4 the name of. Like Susan Livingston, was that it?  
5 Something like that. She was -- was it her? I  
6 e-mailed -- no, not e-mailed. I believe I copied  
7 the disk. I copied -- I copied onto a disk all the  
8 documents that I had for these files, like a list  
9 of who all the members were and what their  
10 certificate number was and when they bought.

11 Q. Okay. And gave it to --

12 A. Yeah.

13 Q. Who did you give it to? That's who  
14 you're trying to remember?

15 A. Yeah. That's who I've been trying to  
16 remember.

17 Q. Well, think about it, and maybe if we  
18 go on to something else --

19 A. Okay.

20 Q. -- it might come to you.

21 A. Okay.

22 Q. Do you remember a club member being in  
23 England, a club member that lived in --

24 A. George H-A-L --

25 Q. Hal?

1           A.    There was, I think, a Hal --  
2   H-A-L-L-A-S.  He was in England, and then there was  
3   Harrold Bowen.  He was in England.

4           Q.    Do you know whether or not these --  
5   either of those folks had any arrangement so that  
6   they didn't pay -- so they paid something other  
7   than full --

8           A.    Yeah.  There was -- these were Spring  
9   Island people, Hallas and Harrold Bowen, and the  
10  other Spring Island people on here, they didn't  
11  have to pay dues, and then -- but, see, that was  
12  part of their founder membership, was that they got  
13  their certificate and they didn't have to pay dues  
14  for --

15          Q.    And so when the club changed over to  
16  the --

17               MR. HAIGHT:  Brian, I will object to  
18  you cutting her off when she's still trying to  
19  answer the question.

20               MR. MCDANIEL:  I didn't mean to cut her  
21  off.

22   BY MR. MCDANIEL:

23          Q.    Go ahead.

24          A.    He -- the plan allowed for them to get  
25  this certificate, and then they didn't have to pay

1       dues on it until there came such a time as the club  
2       would determine that they had to pay dues or they  
3       could resign and just resign and that would be it.

4             Q.   Who made that arrangement with them?

5             A.   That arrangement was done by Jim,  
6       Chaffin/Light, and Dr. LaMotte when they did Spring  
7       Island.

8             Q.   Did either of these two continue to be  
9       members after the members took over?

10            A.   They were members until the club wanted  
11       them to pay dues.

12            Q.   And then what happened?

13            A.   I'm not specifically sure about either  
14       one of those two particular guys, but a lot of them  
15       -- most of them resigned, went to -- were done with  
16       the club.

17            Q.   Okay. When did that occur? Do you  
18       know when the -- was that all about the same period  
19       of time, or was that --

20            A.   That was when Mr. Anthony was there,  
21       towards the end of his -- he was there from '95 to  
22       2000, '95 to 2000, 2001. He was there six years,  
23       so it was -- it could have been around 2002.

24            Q.   So I am correct in understanding --

25            A.   About then.

1           Q.    Sorry -- that it was the -- that  
2           occurred when the members took over, or was that a  
3           -- was that the --

4           A.    I believe the members had -- had taken  
5           over when this occurred.

6           Q.    And they were requesting that these  
7           Spring Island folks start paying dues?

8           A.    Right, correct.

9           Q.    And there was some correspondence with  
10          them saying you either have to pay dues or resign?

11          A.    I don't know about or resign part, but  
12          they did -- they were told they had to start paying  
13          dues.

14          Q.    Okay.

15          A.    Some of them put their membership on  
16          this list, but there were some of them who read the  
17          documents and found that they could resign without  
18          having to sit on this list and pay dues; that they  
19          could just resign their membership and go on their  
20          merry way.

21          Q.    Okay.

22          A.    That was their documents that allowed  
23          them to do that. That was part of the 36 founder  
24          memberships that was given to these Spring Island  
25          purchasers.



1 Q. Okay.

2 A. Spring Island property. They did not  
3 have a restaurant over there on Spring Island, so  
4 -- or the golf course wasn't done or anything, so  
5 that's why they -- these 36 founders were given the  
6 membership for Callawassie, so that they could play  
7 golf and eat and all that over here, over at  
8 Callawassie.

9 Q. Are you aware of any of the discussion  
10 about whether or not they could resign?

11 A. Yes. There was discussion about it. I  
12 heard discussion about it.

13 Q. What did you hear? I mean, what was  
14 the --

15 A. Some of them just sent a letter and  
16 said I'm done. I'm resigning my membership, I'm  
17 done. There were others who were on the list. I  
18 don't think they knew they could do that.

19 Q. Okay. What was the club's position as  
20 far as you knew with regard to whether or not they  
21 would allow these people to resign?

22 A. I am not sure what the club's --  
23 Callawassie club's thoughts were on that. The  
24 Spring Island documents were clear that they could  
25 resign without paying dues. Whenever they were

1 told they had to pay dues, they could send back a  
2 letter that says strike me off your membership  
3 rolls.

4 Q. Okay.

5 A. I'm not sure that there was a letter  
6 sent to the Spring Island members that said you  
7 have the option of saying good-bye or bring up what  
8 you owe us. I don't remember that.

9 Q. Do you recall a letter going to them  
10 saying you need to start paying dues, something of  
11 that --

12 A. Something of that nature, yes.

13 Q. Okay. And some of them did start  
14 paying dues?

15 A. I think some did.

16 Q. Okay. And some didn't; some said  
17 they're out?

18 A. Yeah. That's correct.

19 Q. Okay.

20 MR. YOUNG: Can we go off the record  
21 for a second?

22 (Off-the-record conference.)

23 BY MR. MCDANIEL:

24 Q. All right. On the resale list,  
25 Exhibit 1, is there a way to identify those persons

1     that were Spring Island people? I know you had  
2     that S -- I think you identified one there because  
3     it had an SI.

4             A.    Uh-huh.

5             Q.    Other than that do you know, from that  
6     document, that you could say these are Spring  
7     Island people?

8             A.    There's an SI on number 5, Neal Harris.

9             Q.    Okay. That's under the agent column?

10            A.    No. That's on the property. If you go  
11     -- well, too, yeah, it is under agent.

12            Q.    Okay. I see. And then --

13            A.    And property.

14            Q.    And 22? Is that?

15            A.    Let's see.

16            Q.    Bowen?

17            A.    Yeah. That's Harrold Bowen with two Rs  
18     in Harrold. Yeah. He was Spring Island, yeah.

19            Q.    Okay. So under the --

20            A.    Gleberman.

21            Q.    Let me ask you, in the agent column --

22            A.    Uh-huh.

23            Q.    -- sometimes it has that S -- might be  
24     SI. Is that going to be Spring Island?

25            A.    Yes, it is. SI is Spring Island.

1           Q.   Does that mean everywhere the agent  
2   says Spring Island, that that would be a Spring  
3   Island property?

4           A.   That was -- no.   That was a Spring  
5   Island founder member.

6           Q.   Okay.   A Spring Island founder member.  
7   Why is that listed under agent?   I guess what's  
8   agent represent?

9           A.   Because agent was the member's sales  
10   agent that sold them their property or was handling  
11   the sale of his property.   That was -- it was like  
12   every -- every owner or member in Callawassie was  
13   assigned an agent, and it was that agent's  
14   responsibility keep the owner or member -- whenever  
15   he had any questions or needed any help or so  
16   forth, that that was who would help that person.

17          Q.   Okay.   So you could identify that agent  
18   by these two initials?

19          A.   Yes.

20          Q.   So who is GA?

21          A.   Geoffrey Applegate.

22          Q.   And EP?

23          A.   That's me.

24          Q.   Oh, okay.   So you were acting as an  
25   agent for some of these folks?

1           A.    Only because their other agents had  
2   left and the present agents didn't know them or  
3   didn't have anything to do with them or they didn't  
4   want to deal with anybody.

5           Q.    Okay.  And what about where it says, in  
6   number 71, CIMC as the agent?

7           A.    Callawassie Island Club, Jones.  If I  
8   could remember, Jones -- Jones -- was that --  
9   Jones.  Was that Paul Jones?  Either -- the only  
10   thing I could think of why I would have done that  
11   is because they didn't have an agent or their agent  
12   had gone or they didn't want any part of the sales  
13   guys and the membership was conceded, so -- and I  
14   liked to have the agent in that list so I probably  
15   put club because I don't know Mr. Jones.  I can't  
16   think of him.  I want to say Paul Jones, but that  
17   could be only because he was John Paul Jones.

18          Q.    Okay.

19          A.    I can't remember his name, but that --  
20   Callawassie Island Members Club was who I thought  
21   CIMC is, so I can't give you a real hard, stand-up  
22   reason why I put CIMC instead of SI or LA or  
23   whatever.

24          Q.    Okay.  I think I have another copy of  
25   this, but let me hand you a different document.

1           A.    Okay.

2           Q.    You can look at that for a second.  I  
3    think I've got another one.

4           MR. HAIGHT:  That's fine.  We've seen  
5    this.

6           MR. MCDANIEL:  I want to mark this as  
7    Defendant's Exhibit 2.

8           (DFT. EXH. 2, Letter from J. Richard  
9    Carling to Mr. and Mrs. Bernard F. Carpenter dated  
10   February 19, 2007, was marked for identification.)  
11   BY MR. MCDANIEL:

12          Q.    I believe this was sent at a time after  
13   you were not there, but I'm not sure.  Do you  
14   recognize that document?

15          A.    No.  I was not in February of 2007.  I  
16   never had any dealings with the Carpenters with any  
17   of this amounts owed or anything.  Of course when  
18   they bought -- purchased their property, I took  
19   care of all their paperwork for them.  Lee Allen  
20   was their agent.  I don't recall -- if they stopped  
21   paying dues, I was never aware of it.

22          Q.    Okay.  Are you familiar -- is this a  
23   form letter?  Have you seen this type of letter  
24   before, or is -- you recognize the format of that  
25   letter?

1           A.    I don't recognize this as being a chain  
2   letter.

3           Q.    Okay.  Did you send out letters similar  
4   to this to members?

5           A.    No.  No, sir.  I did not.  I was not  
6   any part of this money -- I was not a part of the  
7   money.

8           Q.    Okay.  So if members were late with  
9   dues, you wouldn't have been -- at any point in  
10   time while you were there, you wouldn't have been  
11   sending out letters like this?

12          A.    No, no.

13          Q.    Who did that while you were there?

14          A.    I would be guessing that Craig Simonson  
15   probably was doing that.

16          Q.    Okay.  But you don't know for sure?

17          A.    In conjunction with the members club.

18          Q.    Okay.

19          A.    Because at this time they were -- they  
20   had taken over all of that sort of thing.

21          Q.    Okay.  And just to clarify for the  
22   record, this -- we've marked as Exhibit 2, it also  
23   has a Defendant's Exhibit 3 from a previous  
24   deposition in the left corner, but the Exhibit 2 is  
25   in the right corner.

1                   And take a second, if you would, and  
2     read the letter.

3                   A.    Uh-huh.

4                   Q.    I want to ask you if your understanding  
5     is this was the -- an accurate description of club  
6     policy at the time you left.

7                   A.    I know during this time that they --  
8     that the club was tightening up on members whose  
9     accounts were lagging behind.

10                  Q.    The question I have about it is more is  
11     it -- particularly the -- just looking at the first  
12     two paragraphs where he is -- where it appears to  
13     lay out the rule that states: Any member whose  
14     account is not settled within the four-month period  
15     following suspension shall be expelled from the  
16     club.

17                  And it goes on and there's additional  
18     to that, but is that paragraph -- was that your  
19     understanding of the policy, the club policy, at  
20     that time?

21                  MR. YOUNG: Object to the form.

22     BY MR. MCDANIEL:

23                  Q.    And I say at the time you were there, I  
24     mean?

25                  A.    I don't remember the -- when the



1 developer was there, I don't remember the developer  
2 doing anything like this. He may have, but I don't  
3 remember it, but I do know that there came a period  
4 of time when the club, when they took over this  
5 club membership dues accounting, that that's when  
6 all of these letters started going out to members  
7 that owed them money.

8           They made a very hard -- a very hard  
9 stab at trying to get either people to pay or get  
10 these memberships, but they really wanted people to  
11 pay. They didn't want to take the memberships if  
12 they could help it because they needed that money  
13 to come into the club.

14           Q. Let me hand you a few documents here  
15 and see if you -- I'm going to hand you three  
16 documents and represent to you it's the -- one says  
17 the August '01 general club rules --

18           A. Okay.

19           Q. -- the June 2001 bylaws, and the August  
20 '01 plan for offering of memberships.

21           A. I remember these documents.

22           Q. Okay. And do those represent the  
23 governing documents of the club at the time you  
24 were there?

25           MR. HAIGHT: Object to the form. She

1 just testified she was there for 20-some-odd years.

2 You're giving her the documents from 2001.

3 THE WITNESS: Yeah. I was -- I was

4 there. I will admit it. I was there.

5 Yes. These documents look familiar.

6 BY MR. MCDANIEL:

7 Q. Okay. And so let me, if I can, get you

8 to go to the -- in the club rules --

9 A. Right.

10 Q. -- which is I think is the -- yeah.

11 This one --

12 A. Okay.

13 Q. -- where it says 13.1.1 or -- yeah,

14 13.3.1, club rules.

15 A. 13.3.1, delinquencies. There were a  
16 few people, when the developer was there, that were  
17 suspended from using the club facilities because  
18 they were in arrears.

19 Q. Okay. The end of that, the last  
20 sentence of that first 13.3.1 --

21 A. Uh-huh.

22 Q. -- says: A member whose account is not  
23 settled within the four-months period following  
24 suspension shall be expelled from the club.

25 And that seems to be the same.

1           A.    Yes.  That letter is stating pretty  
2 close.

3           Q.    Seems like he's quoting that section.

4           A.    Yes.

5           Q.    That's the part I was going to ask you  
6 about, is are you aware, is that the policy at  
7 least at the time of these rules -- of these rules  
8 that was in effect for club membership?

9           MR. YOUNG:  Object to the form.

10          THE WITNESS:  I do not remember any --  
11 any expelling of memberships.  The developer did  
12 not want back a membership.  No, he did not want to  
13 get back a membership because he had a lot of  
14 memberships already that he hadn't sold, so they  
15 did, I want to say, anything they could do to keep  
16 from getting these memberships back into his  
17 pocket, but I don't mean that -- that he would go  
18 and do illegal things by saying that.  That was  
19 just his motivation.  He didn't want to get back  
20 the membership.

21          And I remember that there were some  
22 people whose -- who owed a lot of money, but I  
23 never saw any membership that came back through me  
24 that was taken back.

25          BY MR. MCDANIEL:

1           Q.   Well, what about all the ones on the  
2 resale list? I mean, we've got --

3           A.   When the -- yeah.

4           Q.   -- 14 different ones on the resale list  
5 that say expelled.

6           A.   Until this time when the members took  
7 over. I'm talking when the developer was there. I  
8 don't remember that.

9           Q.   But you maintained that --

10          A.   All of these -- yes, I did. I  
11 maintained this list, but these expelled -- to the  
12 best of my memory, these expellings and conceded  
13 happened on this -- were put here on this list  
14 after the members took over. The owner was on  
15 here, and when the members took owner -- took over,  
16 then they sent them these letters that you're --

17          Q.   Okay.

18          A.   And at that time -- see, it might have  
19 been to -- this guy was on here, Butcher, say  
20 Butcher was on here since 1999 or -- no. Bankson,  
21 where it says expelled, may have been on here in  
22 1999, but his membership -- he wasn't expelled  
23 until '03, so '03 was when I typed in expelled and  
24 put '03 over here.

25          Q.   Okay. So who would have told you --

1       who would have directed you to type in expelled?

2               A.    The members club -- oh, thank you.

3                       The members club would have told me.

4   The members club would have told me.

5               Q.    And I'm pretty sure you said you don't  
6   know the basis for that, but is that right? Do you  
7   know the basis for how they determined to expel  
8   those folks?

9               A.    How -- yes. They expelled those folks  
10   -- yeah -- because they owed so much money and they  
11   couldn't get any satisfaction from the -- from the  
12   members, so they -- that was where they had to go  
13   through attorneys to get the membership back.

14              Q.    Okay. But can you say for certain as  
15   to these people that they used an attorney for each  
16   one of those folks?

17              A.    No. I can't say that because I never  
18   saw any -- any kind of documentation that was sent.  
19   I wouldn't know it if you show -- if you had it in  
20   a stack in front of me.

21              Q.    That was your assumption of what had  
22   happened; is that right?

23              A.    Exactly.

24              Q.    Okay. Are you aware of -- and I'll  
25   give you a chance to look through these documents

1 -- any other provisions that deal specifically with  
2 delinquency?

3 Let me back up. Are you familiar with  
4 the documents that I've given you?

5 A. I used to be very familiar with them.

6 MR. MCDANIEL: Okay. And let me mark  
7 them separately. I want them as 3, 4, and 5, if I  
8 can, so we can document them.

9 (DFT. EXH. 3, The Callawassie Island  
10 Club Members, Inc. Plan for the Offering of  
11 Memberships, was marked for identification.)

12 (DFT. EXH. 4, The Callawassie Island  
13 Club Members, Inc. General Club Rules, was marked  
14 for identification.)

15 (DFT. EXH. 5, Callawassie Island  
16 Members Club By-Laws, was marked for  
17 identification.)

18 BY MR. MCDANIEL:

19 Q. All right. And we've marked the plan  
20 for the offering as 3, the general club rules as 4,  
21 and the bylaws as 5.

22 A. Uh-huh. Okay.

23 Q. In this case I'm trying to figure out  
24 what governing documents control delinquent  
25 members. That's one of the issues in this case,

1     that members gets delinquent, and we're trying to  
2     determine what should happen to them. Can you tell  
3     me, as best you can, and you can look through the  
4     documents, where in the governing documents -- what  
5     provisions would you point somebody to to determine  
6     that?

7                 MR. YOUNG: Object to the form.

8                 THE WITNESS: Well, I would -- if I was  
9     having that discussion with someone, I would do  
10    exactly what you said just a second ago, go look on  
11    paragraph -- was it 13 point -- whatever point  
12    whatever.

13    BY MR. MCDANIEL:

14                 Q.    3.1?

15                 A.    Yeah. I would send them a copy of it  
16    if they were not in my office or I'd make them a  
17    copy of it, wherever it is. I don't think it's in  
18    the rules, is it?

19                 Q.    It's in the -- yeah. It's in the  
20    general club rules, is where you were looking at.  
21    It's right here.

22                 A.    That would be one. Is it not in the --  
23    in the offering?

24                 Q.    If you would look, just take a look and  
25    see if you see somewhere that deals with

1 delinquency, I'd appreciate it.

2 A. How about, under the plan for the  
3 offering, there's 5.5 on page 7, talks about liens.

4 Q. Okay. All right. That 5.5 where it  
5 talks about the right to lien the membership?

6 A. Uh-huh. Right.

7 Q. Okay.

8 A. And all such liens may be foreclosed by  
9 the club.

10 Q. Okay. Is there anywhere else in that  
11 -- in the plan for offering that you see that deals  
12 with that?

13 MR. YOUNG: Object to the form.

14 BY MR. MCDANIEL:

15 Q. That deals with the delinquency issue?

16 MR. YOUNG: Object to the form.

17 THE WITNESS: I don't believe it's in  
18 the bylaws -- in the bylaws. Well, might check the  
19 bylaws.

20 BY MR. MCDANIEL:

21 Q. Okay.

22 A. They always have just one little  
23 paragraph usually in there about something, but  
24 it'll be in several documents.

25 Q. And I would suggest to you, the bylaws



1 I found one, one section, that I'd just point out  
2 to you in the bylaws where --

3 A. Yeah.

4 Q. It's Article 11, it says delinquencies,  
5 and it indicates the same issue about liens.

6 A. That's correct.

7 Q. Okay. Is there anywhere else? Can you  
8 flip through those bylaws and see is there anywhere  
9 else that you're aware of that deals with the issue  
10 of delinquencies of membership dues?

11 MR. YOUNG: Object to the form.

12 THE WITNESS: Without reading every  
13 single word in each of these, I don't know that  
14 there was many more mentions of it.

15 BY MR. MCDANIEL:

16 Q. Okay. And --

17 A. There may be. But I think that's as  
18 far as I probably went whenever I was talking with  
19 someone about it.

20 Q. Okay.

21 A. Or if --

22 Q. And I think we found the one provision  
23 about the delinquencies in the plan for offering  
24 and one at -- and that was in the plan for offering  
25 at 5.5 where it talks about liens and then in the

1       bylaws we found one at Article 11, delinquencies,  
2       and then in the -- in the club -- general club  
3       rules 13.3 seems to discuss that issue.

4             A.    That's correct.

5             Q.    Do you know of anywhere else? I know  
6       you said you didn't read every word in it, but do  
7       you know anywhere else where that's the -- topic  
8       comes up?

9             MR. YOUNG: Object to the form.

10            THE WITNESS: Not -- not specifically  
11       without looking through each page.

12       BY MR. MCDANIEL:

13            Q.    Okay. Well, do that for me with the  
14       club rules.

15            A.    Okay.

16            Q.    Just flip through the pages. You don't  
17       have to read the words --

18            A.    Okay.

19            Q.    -- but at least look at the headings.  
20       Maybe you can direct me to where --

21            A.    Okay.

22            Q.    -- else I might want to look. It's  
23       kind of become an important issue for the case as  
24       to --

25            MR. HAIGHT: Object to the form.

1 BY MR. MCDANIEL:

2 Q. -- what the issues of the -- what the  
3 governing documents say for the members.

4 A. Oh, okay.

5 MR. YOUNG: Objection.

6 THE WITNESS: Did they not have any --  
7 there wasn't anything in the covenants about this?

8 BY MR. MCDANIEL:

9 Q. Well, that's a different issue than  
10 what I'm asking you about. If you know something  
11 about that you want to bring up, that's fine. You  
12 can't ask me --

13 MR. HAIGHT: I'll object to the form of  
14 that statement. It's not a different issue.  
15 They're much the same issue.

16 MR. MCDANIEL: It's a different issue  
17 than what I'm asking her about. If you want to  
18 bring in things about the property owners  
19 association, you know --

20 MR. HAIGHT: Again, beg to differ.

21 MR. MCDANIEL: -- I'm not disputing you  
22 can do that.

23 BY MR. MCDANIEL:

24 Q. But what I'm asking you about is these  
25 -- the three documents you have, what's the --

1       what's in there that you can find where the  
2       headings -- where would I look?

3             A.    Right.

4             Q.    We've pointed out the two places, the  
5       bylaws and the plan for offering --

6             A.    Right.

7             Q.    -- and then the 13.3, and I wondered if  
8       you see anywhere else.

9             A.    Well, they talk about suspension and  
10       expulsion under 14.2 of the club rules.

11            Q.    Okay. Reprimand, suspension,  
12       expulsion, and termination of membership, that  
13       heading?

14            A.    Correct.

15            Q.    Okay.

16            A.    That's about all I know out of that  
17       one.

18            Q.    Okay. And that's good. You mentioned  
19       or it came up about the covenants. Who do the  
20       covenants apply to?

21                   MR. YOUNG: Object to the form.

22                   THE WITNESS: That goes with the land.

23       BY MR. MCDANIEL:

24            Q.    Okay. Are all members land holders?

25            A.    No. Bunch of these members sold their

1 property and have no land.

2 Q. Okay. So if a member is not a land  
3 holder, do they then, do you believe -- is it your  
4 belief that they are then subject to the covenants?

5 MR. YOUNG: Object to the form.

6 THE WITNESS: The covenants -- I can't  
7 remember if the covenants have anything in there  
8 about the membership or not.

9 BY MR. MCDANIEL:

10 Q. Okay. When --

11 A. So if it does -- so the covenants went  
12 with the land, but we gave covenants to people with  
13 memberships, made sure everybody had covenants.

14 Q. Let's say somebody was just coming in  
15 to buy a membership and they weren't buying a piece  
16 of property. Do you know of any document where  
17 they would agree to the covenants? I mean --

18 A. I don't know what you're saying there.

19 Q. You don't have to be a property owner  
20 to be a member of the club, right?

21 A. Correct.

22 Q. You can --

23 A. Because of this.

24 Q. Well, not just because of that. I can  
25 go in and ask to buy a membership in the club

1 today, right?

2 A. Oh, yeah.

3 Q. And I don't have to buy a piece of  
4 property, right?

5 A. Oh, I don't know. I don't know what  
6 the rule is now.

7 Q. Okay. Well, when you were there?

8 A. When I was there, yeah, we'd love to  
9 have you come buy a membership.

10 Q. Right. I mean, you were marketing to  
11 outside to try to get members --

12 A. Right.

13 Q. -- who weren't property owners,  
14 correct?

15 A. That's correct.

16 Q. Okay. And so for those people, they  
17 wouldn't be bound by the covenants, would they?

18 MR. YOUNG: Object to the form.

19 THE WITNESS: The marketing -- for the  
20 memberships I don't remember specifically marketing  
21 for memberships. Everything that I remember on  
22 marketing was for the whole island as a whole and  
23 not for a specific membership. It was a -- like a  
24 package.

25 BY MR. MCDANIEL:

1 Q. Okay.

2 A. Okay. The covenants went with the  
3 land, but if someone came to buy just the  
4 membership, we gave them the covenants and we asked  
5 them to sign a paper that said they got the  
6 covenants.

7 Q. Okay. And did that -- I'm sorry. You  
8 weren't finished?

9 A. And I was just going to say that I  
10 can't remember anything in the covenants about  
11 membership, but I just have this mantra or whatever  
12 is the word going in my head covenants, rules, so  
13 that's why I say or ask if there's membership in  
14 the covenants. If there's not, then...

15 Q. Okay. You know of specific covenants  
16 that deal with delinquency issues for the club?

17 A. No, I do not.

18 Q. Okay. And do you know whether or not  
19 club members strictly as club members, not whether  
20 they buy property -- okay? If I go in today and  
21 buy without buying a property, do I have to agree  
22 to the covenants?

23 A. No.

24 Q. Okay. What about when you were there?  
25 I meant to phrase it when you were in charge or

1       when you were in position.

2           A.    They wouldn't have to agree with it or  
3       disagree with it or anything.  It was simply given  
4       to them so that they would understand how the  
5       island worked, not the membership.

6           Q.    Right.  It was information?

7           A.    Correct.

8           Q.    Okay.  And it wasn't a condition of  
9       membership?

10          A.    No, it was not.  This was simply to get  
11       them to be aware that if they saw a lot they would  
12       like to buy and wanted to build a house, all that  
13       information is in the covenants about what you can  
14       build, et cetera.

15          Q.    Okay.  Other than these three documents  
16       that you looked at, at that time, in 2002 let's  
17       say, after these seemed to be dated, do you know of  
18       any other documents that a club member would have  
19       looked to to -- for governance of their membership?

20          A.    No, sir.

21          Q.    Okay.  Do you know of any changes to  
22       these documents while you were there?

23          A.    I think I saw it in here, maybe on the  
24       last page, where they said that if you bought  
25       property you had to buy a membership.  It was --



1     it's an amendment, but I don't know which one it's  
2     to.

3             Q.    Okay. But it's attached to there. It  
4     might be amended at a later date?

5             A.    It would have been attached to here.  
6     Any amendments -- this is an addendum to the plan  
7     here.

8             Q.    I see. Okay. And the last thing I  
9     want to ask you about is if we go back to this  
10    13.3.1, would you agree that it's a fair reading of  
11    this, that last sentence particularly of that first  
12    paragraph, that a member would expect that they  
13    would be expelled from membership after being  
14    delinquent for four months?

15            MR. HAIGHT: Object to the form.

16            THE WITNESS: And what's your question  
17    again?

18            MR. MCDANIEL: I'll give you -- sorry.

19            MR. YOUNG: I'll go ahead and object to  
20    it before there's a question.

21            MR. MCDANIEL: I understand you guys  
22    have an objection to the question that I'm about to  
23    ask. That's fine with regard to these paragraphs.

24    BY MR. MCDANIEL:

25            Q.    As to that last sentence, would it be a

1 fair understanding of that sentence, and I'll let  
2 you read that -- I mean that whole section, that  
3 whole paragraph, if you'll like a minute to read it  
4 -- that the member would expected that they would  
5 be expelled from membership after being delinquent  
6 for four months?

7 MR. YOUNG: Objection.

8 THE WITNESS: I don't know what the  
9 member would think because most -- in most cases  
10 that I know about, I don't think they had a clue  
11 that they would be expelled after four months.

12 BY MR. MCDANIEL:

13 Q. Okay. Well, let me ask you just from  
14 your reading of that. What do you think that means  
15 when you read that?

16 MR. YOUNG: Object to the form.

17 THE WITNESS: The way I understand this  
18 is that if they don't settle their accounts in four  
19 months, they're going to lose their membership.

20 MR. MCDANIEL: Okay. Thank you.

21 That's all I have.

22 MR. HAIGHT: We do have some.

23 MR. MCDANIEL: So they do have some.

24 MR. HAIGHT: Let's take a break.

25 (A recess transpired.)

## EXAMINATION

BY MR. HAIGHT:

Q. I'm Rick Haight. Bill Young and I here represent Callawassie Island Members Club, and Mr. McDaniel's had a chance to ask you a few questions. We just have a few kind of follow-up questions that we wanted to ask about.

The first is Mont Blaisdell; how do you spell his name?

A. B-L-A-I-S-D-E-L-L.

Q. And Mont, is that a nickname for something else?

A. Montgomery.

Q. But he went by Mont?

A. Yes.

Q. And who did he work for?

A. He worked for Jim Light, Chaffin, and Dr. LaMotte.

Q. So he worked for the developer?

A. He did.

Q. Did he at any time work for the Callawassie Island Members Club?

A. If he did, I'm not aware of it.

Q. To your knowledge was he even a member of the club?

1           A.    I don't think he was a member of the  
2   club.  He had an opportunity to be a member of the  
3   club, but I don't think he elected to.

4           Q.    Okay.  During the course of your  
5   deposition when you've mentioned him, who would he  
6   have been acting for:  The developer or the club?

7           A.    Well, certainly the developer until  
8   after turnover, but I know he was involved somehow  
9   because he had lots of meetings with the club  
10  members.

11                  After the turnover he did have -- he  
12  was in some meetings with them, but I don't know if  
13  he had any part of the Callawassie Island Members  
14  Club committees or any of that sort of thing.  I  
15  don't know which function he served in with them.

16           Q.    Okay.  But when accommodations were  
17  made for people like the Spring Island founders  
18  members, those were accommodations made by the  
19  developer, correct?

20           A.    Yes.

21           Q.    Those were not made by the club?

22           A.    The exact -- what exactly are you  
23  referring to when you say accommodations?

24           Q.    Well, you said that the Spring Island  
25  founders members were allowed to basically decide

1     they didn't want to pay anything, could give up  
2     their memberships.

3             A.    Yes.  That was part of the deal.

4             Q.    And I believe you testified that they  
5     had that right under the Spring Island documents,  
6     correct?

7             A.    Yes.  That they were given in the  
8     Spring Island documents.

9             Q.    And those were documents prepared by  
10    Chaffin/Light, correct?

11            A.    Correct.

12            Q.    And Chaffin/Light was the kind of  
13    parent entity of both developments, correct?

14            A.    Correct.

15            Q.    And that's not anything that the club  
16    had anything to do with?

17                   MR. MCDANIEL:  I'm going object, if I  
18    can, just -- you said the club --

19    BY MR. HAIGHT:

20            Q.    The Callawassie Island Members Club.  
21    I'll be more specific.

22            A.    Say your question again.

23            Q.    The Callawassie Island Members Club,  
24    did they have any hand in offering the Spring  
25    Island members, founders members, the opportunity

1 to resign their memberships?

2 A. No, they didn't have a hand in that. A  
3 document that the Spring Island founders had -- and  
4 I'm not sure if it's in one of those documents  
5 there -- saying that they -- it's in a document  
6 that they could give up their membership or pay  
7 dues. I'm trying to --

8 Q. And again, that was a Chaffin/Light  
9 document?

10 A. Yes. That's what I'm trying to think,  
11 was where was that document, and I think that the  
12 members club had to accept that. They -- the  
13 members club couldn't arbitrarily go to those guys  
14 and say, okay, you're going to have to pay to be a  
15 member of this club until your membership sells.

16 My understanding, and I read it in a  
17 document that the members received -- and I'm not  
18 sure it is in the club rules there, but when those  
19 36 people became founder members, it was in their  
20 contract, I think it was, that when the club  
21 turnover occurred they could pay dues or resign  
22 their membership and no longer be a member.

23 Q. Okay.

24 A. I believe it's in their -- their  
25 documents.

1 Q. By their documents, you mean what?

2 A. Spring Island documents.

3 Q. And earlier you talked about the

4 Leffers?

5 A. Yes.

6 Q. And you talked about a deal that they

7 had to pay at a social membership rate even though

8 they held a golf membership?

9 A. Right. That was done under the  
10 developer.

11 Q. Okay. That was done by Mont?

12 A. Correct.

13 Q. Now, throughout your testimony when  
14 we've heard you refer to Mont, is that pretty much  
15 synonymous with developer?

16 A. Yes. I looked to -- yes. But also  
17 after the turnover of the club and CIPOA to the  
18 property owners, he was still the one that I went  
19 to with any club questions I might have after the  
20 turnover.

21 Q. And I believe you testified earlier  
22 that when you received paychecks they were always  
23 from the developer or a developer-related entity?

24 A. Right. I can't remember what the check  
25 said after the turnover and when the members really

1 did physically start taking over all of the  
2 different committees and so forth. I can't  
3 remember who signed that paycheck.

4 I think it still came from accounting,  
5 from the developer's -- who the developer used to  
6 pay us, Craig Simonson and the accounting office,  
7 that's where my check came from even after  
8 turnover, came from there, so I didn't pay that  
9 much attention to it as to what account it was  
10 drawn on.

11 Q. Okay. Now, are you at all familiar  
12 with the amended and restated covenants for  
13 Callawassie?

14 A. Somewhat.

15 Q. Let me just show you this, and I  
16 realize --

17 A. Uh-huh.

18 Q. -- it's a thick document.

19 A. Uh-huh.

20 Q. And I'm not going to make it an  
21 exhibit. Just wanted to see --

22 A. Uh-huh. Yeah. I remember this.

23 Q. -- if you were familiar with it.

24 A. Uh-huh.

25 Q. Okay. Is that something that you would



1 have read at some point or you would have had to --

2 A. Oh, yes.

3 Q. -- refer to it at various points?

4 A. Yes to both of those questions, yes.

5 Q. Is this what you would give copies to  
6 owners or prospective owners? When you said you  
7 were putting that packet together, is this --

8 A. Absolutely.

9 Q. -- one of the things you gave them?

10 A. Absolutely. Because it was some --  
11 it's made very clear to me, when you buy property,  
12 you're not buying the property; you're buying this.

13 Q. And by this you're talking about the  
14 covenants that are --

15 A. Correct.

16 Q. -- recorded --

17 A. Right.

18 Q. -- over across the street at the  
19 courthouse?

20 A. That's right.

21 Q. Okay. Now, you probably had it in a  
22 fancier folder or something.

23 A. No. It was just like that.

24 Q. Do you ever recall reading this  
25 language --

1           A.    It is in here.

2           Q.    -- on page 74 of the covenants? This  
3    would be Article 7, Roman numeral VII, Section 2.  
4    If you could, take a minute to refer to that, and  
5    let me know if that refreshes your recollection.

6           A.    Yeah. I remember that. I remember  
7    that.

8           Q.    Now, when you would hand this to  
9    somebody who was buying -- from what I understand  
10   from your earlier testimony what was typical, which  
11   would be somebody would buy a house or a lot and a  
12   membership; is that correct?

13          A.    Correct.

14          Q.    When you were handing them the package  
15   of materials including the covenants, would you  
16   ever have discussions with those people about that  
17   section, this Section 2 on page 74?

18          A.    Well, we -- we would tell them that  
19   they had to buy a membership when they bought a  
20   property.

21          Q.    Would you tell them that they had to  
22   remain a member in good standing once they had done  
23   that?

24          A.    No, we didn't tell them that.

25          Q.    But you would give them a copy of this

1 and it's there for them to read, is it not?

2 A. Yes, we would. That's correct.

3 Q. Just a minute.

4 And you're familiar with Arthur

5 Applegate?

6 A. Yes.

7 Q. And you recalled that he purchased lots

8 at the auction?

9 A. He did. Eight of them.

10 Q. And do you recall -- one, do you recall

11 if he signed any kind of contract?

12 A. He did.

13 Q. Do you recall any of the provisions of

14 that contract sitting here today?

15 A. They had to buy -- whatever lots he

16 bought, he had to buy a membership for each lot.

17 He bought a golf membership for each lot, and he

18 would get two years free dues, and at the end of

19 the two years he would have to pay dues on all

20 those memberships.

21 Q. And who did he contract with? Was his

22 contract with my client, the Callawassie Island

23 Members Club, or was it with the Callawassie Island

24 Company or some Chaffin/Light entity or -- to the

25 extent you recall?

1           A.    I filled in the contracts for him on  
2   those lots, as I recall.  I don't remember anything  
3   stating Callawassie Island Members Club.  It seems  
4   to me that it was all the developer, Callawassie  
5   Island Company or Callawassie Island Development  
6   Corporation.

7           Q.    And who conducted the auction?  Was  
8   that something held by Callawassie Island Members  
9   Club, or was that held by the developer?

10          A.    That was the developer's idea.

11          Q.    And the contract for --

12          A.    It was Callawassie.

13          Q.    -- Mr. Applegate where he didn't have  
14   to pay the dues for two years, that was a contract  
15   made by the developer?

16          A.    I believe it was.

17          Q.    Okay.  And you indicated earlier that  
18   that was for two years.  And what would happen  
19   after the two years?

20          A.    He would have to pay dues on each of  
21   those memberships.

22          Q.    And did you tell him that?

23          A.    I'm sure I did.

24          Q.    The offering that was made by the club  
25   -- by the club I mean the Callawassie Island

1 Members Club -- to some members to concede their  
2 memberships, did you have any real involvement in  
3 that?

4 A. None.

5 Q. So you were kind of on the outside of  
6 that?

7 A. Oh, yes, on the outside.

8 Q. Okay. So if somebody took that offer  
9 and conceded their membership, you were told about  
10 it, but you weren't really aware of the inner  
11 workings of what was going on?

12 A. Correct.

13 Q. You may have filed some letters, that  
14 kind of thing, correct?

15 A. Occasionally, correct.

16 Q. And you made some notations on the  
17 resale list?

18 A. Correct. When I was told to.

19 MR. HAIGHT: That's all I have at this  
20 time. Thank you.

21 THE WITNESS: Okay.

22 EXAMINATION

23 BY MR. MCDANIEL:

24 Q. I just have one quick follow-up --

25 A. Uh-huh.

1           Q.    -- question about -- when was that  
2           auction with Arthur Applegate that you were talking  
3           about, that Mr. Haight was asking you about?

4           A.    Yeah.  Mr. Aulton purchased in  
5           December 16 of 2003 and purchases -- so it would  
6           have been like the fall of 2003 because I have on  
7           here the purchase date --

8           Q.    Okay.

9           A.    -- original date purchased, and I think  
10          Aulton got like three lots with 12/16.

11          Q.    I think we're asking about Applegate,  
12          right?

13          A.    Yeah.  But that was all the same time  
14          period.

15          Q.    Okay.

16          A.    Is Applegate on here?  I can't  
17          remember.

18          Q.    I don't know at that point.

19          A.    I saw it --

20          Q.    I think he might on a later version.

21          A.    Oh.

22          Q.    But for this one -- so it would have  
23          been about the same time the Aultons purchased?

24          A.    Yeah.  The Aultons did.

25          Q.    And that was 2002 or 2003?  Is that --

1           A.    Two thousand -- looks like the fall of  
2   2003 because they had to close within a certain  
3   number of days.

4           Q.    That was after the club control had  
5   been turned over to the CIMC, wasn't it?

6           A.    I could not be sure about that.

7           Q.    Okay.  Do you know whether or not  
8   the --

9           A.    I don't know -- I don't remember when  
10  the club, CIMC, took over, what period.

11          Q.    Okay.  Was the developer still allowed  
12  to make deals after the club took over?  Are you  
13  aware of whether or not he was still allowed to do  
14  things like the auction?

15          A.    That's a good question.  I don't think  
16  he did too much.  He sort of just left.

17          Q.    If he wanted to do this auction, do you  
18  know of any mechanism, any procedure he would go  
19  through?  Assuming that it was after the club took  
20  over, would there be --

21               MR. HAIGHT:  Object to the form.

22   BY MR. MCDANIEL:

23          Q.    Would there be some mechanism or some  
24  person he would have to get -- that you're aware of  
25  that he could consent to do that sort of auction?

1           A.    I don't know the answer to that  
2   question.  I don't know whether he did or -- or  
3   what -- I think he had to, whatever he did.

4           MR. MCDANIEL:  Okay.  That's good  
5   enough.  Nothing else.

6                       EXAMINATION

7   BY MR. YOUNG:

8           Q.    Ms. Padgett, if any property owner  
9   member at Callawassie wants to sell their property,  
10   do they have to get permission from the club to  
11   place their property for sale?

12          A.    Not when I was there.

13          Q.    Okay.  Thank you.

14          A.    Ever.

15          MR. YOUNG:  That's all I have.

16                       (The witness, after having been advised  
17   of her right to read and sign this transcript, does  
18   not waive that right.)

19                       (The deposition was concluded at  
20   2:05 p.m.)

21

22

23

24

25



## SIGNATURE OF DEPONENT

DEPONENT: ELLEN DAVIS PADGETT

DEPOSITION DATE: August 31, 2012

REPORTER: TRISHA M. THOMAS

CASE CAPTION: CALLAWASSIE ISLAND MEMBERS CLUB,  
INC. vs. A. APPLGATE, M. AULTON, T. BAYLESS,  
R. DENNIS, and R. MERCIER

(Please return both Signature of Deponent pages)

I, the undersigned, ELLEN DAVIS PADGETT, do  
hereby certify that I have read the foregoing  
deposition and find it to be a true and accurate  
transcription of my testimony, with the following  
corrections, if any:

| PAGE | LINE | CHANGE | REASON |
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2       DEPOSITION DATE: August 31, 2012

3       REPORTER: TRISHA M. THOMAS

4       CASE CAPTION: CALLAWASSIE ISLAND MEMBERS CLUB,  
5       INC. vs. A. APPLGATE, M. AULTON, T. BAYLESS,  
6       R. DENNIS, and R. MERCIER

7       PAGE     LINE                   CHANGE                   REASON

8  
9  
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11                   \_\_\_\_\_  
12                   ELLEN DAVIS PADGETT, Date13                I, Trisha M. Thomas, Notary Public for the  
14       State of South Carolina at Large, do hereby certify  
15       that the deponent was advised of his or her right  
16       to read and sign said deposition both verbally and  
17       in writing. If the deponent fails to execute and  
18       return foregoing Signature of Deponent pages within  
19       the thirty (30) days allowed pursuant to the Rules  
20       of Civil Procedure, the original transcript may be  
21       filed with the court.  
22  
2324                   \_\_\_\_\_  
25                   Trisha M. Thomas  
                  My Commission expires  
                  February 2018

## 1 CERTIFICATE OF REPORTER

2  
3 I, Trisha M. Thomas, Court Reporter and  
4 Notary Public for the State of South Carolina at  
5 Large, do hereby certify that the foregoing  
6 transcript, pages 3 through 161, is a true,  
7 accurate, and complete record.

8 I further certify that I am neither  
9 related to nor counsel for any party to the cause  
10 pending or interested in the events thereof.

11 Witness my hand, I have hereunto  
12 affixed my official seal this 21st day of  
13 September, 2012, at Hardeeville, Jasper County,  
14 South Carolina.

15  
16  
17  
18  
19  
20  
21  
22  
23 \_\_\_\_\_  
24 Trisha M. Thomas,  
25 Court Reporter  
My Commission expires  
February 2018

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1 STATE OF SOUTH CAROLINA  
IN THE COURT OF COMMON PLEAS  
2 COUNTY OF BEAUFORT  
3  
4

THE CALLAWASSIE ISLAND MEMBERS CLUB, INC.,

5  
Plaintiff,

6 vs. CASE NO.2009-CP-07-4648

7 MICHAEL A. AULTON, and SANDRA D. AULTON,  
8

Defendants.

9  
10  
11 DEPOSITION OF: GEORGE HARMAN SWITZER, III  
12 DATE: February 7, 2013  
13 TIME: 10:17 AM  
14 LOCATION: Law Office of  
Brian D. McDaniel  
15 2015 Boundary Street, Suite 216  
Beaufort, SC 29902

16  
TAKEN BY: Counsel for the Defendant

17  
18 REPORTED BY: LORA L. MCDANIEL,  
Registered Professional Reporter

19  
20 A. WILLIAM ROBERTS, JR. & ASSOCIATES

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18

(INDEX AT REAR OF TRANSCRIPT)

19

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1 deposition today and wanted to see if you have ever  
2 given a deposition before.

3 A. I testified in an arbitration case years  
4 ago right before I retired. That's it, to my  
5 knowledge.

6 Q. Basic Rules of procedure with the  
7 deposition: I ask the questions. If you don't  
8 understand the question, you direct your  
9 clarification back to me. You're not to consult with  
10 your attorneys about the question.

11 They will direct you specifically not to  
12 answer if they don't want you to answer the question  
13 for some reason, privilege or something of that  
14 nature. Otherwise, they may object from time to time  
15 to the question. Even if they object, you would  
16 still go ahead and answer the question.

17 If you need to take a break, if you need  
18 to for whatever reason, that's fine. During that  
19 time, you're not to discuss the ongoing deposition  
20 with your attorney. If you do, I can ask you about  
21 it and get to those conversations. It would not be  
22 protected conversations.

23 I just want to get some brief background  
24 about who you are. Tell me, what's your current  
25 address.

1           A.    23 South Oak Forest Drive, Okatee, South  
2    Carolina.

3           Q.    How long have you lived there?

4           A.    Since 1996.

5           Q.    Where did you move from?

6           A.    Princeton Junction, New Jersey.

7           Q.    Tell me what your basic educational  
8    background is.

9           A.    B.S. in industrial engineering. I've gone  
10   to a couple executive programs, Northwestern and  
11   Harvard.

12          Q.    Where did you get your B.S. from?

13          A.    Johns Hopkins University.

14          Q.    What was your occupation? How were you  
15   employed?

16          A.    I spent 31 years with what is now Alcatel  
17   Lucent in various positions, starting in engineering.  
18   The last 16 years, for the most part, was spent  
19   international business development.

20          Q.    Tell me about what family you have in  
21   Beaufort County.

22          A.    Just my wife Susan. Our son lives in  
23   Jasper County; in Ridgeland.

24          Q.    What's your son's name?

25          A.    Michael. Michael Rogan.

1           Q.    When did you move to, I think you said you  
2 moved --

3           A.    We bought property in 1991.  We proceeded  
4 to build a house in 1995.  And I retired and became a  
5 full-time resident in 1996.

6           Q.    Since then, have you been employed at all?

7           A.    No.

8           Q.    You are retired?

9           A.    I did a little consulting on the side.  
10 That was it.

11          Q.    Tell me any civic or community groups that  
12 you're part of in Beaufort county.

13          A.    None in Beaufort County other than the  
14 amount of time that I served on the Callawassie  
15 committees and boards.

16          Q.    You don't serve on any boards -- or do you  
17 serve on any boards outside of Callawassie?

18          A.    No.

19          Q.    Tell me about that.  Start, if you can,  
20 with '95, when you got there and what your  
21 participation was with the Callawassie Island Club or  
22 Members Club.

23          A.    I was elected to -- I was elected in, I  
24 think it was, October of 1998 to the Advisory Board  
25 of Governors, which was, I'll call it, a

1 nonmanagement council that worked with the developer  
2 but had no real power; at the same time, became a  
3 member of the first board of the Callawassie Island  
4 Members Club.

5 Q. When was that?

6 A. Same time, '98, my recollection. Prior to  
7 that, in '96 through '98, I served on the board of  
8 the POA, the property owners association.

9 Q. Just as to the club, you're saying you  
10 were on the board in '98?

11 A. Uh-huh.

12 Q. What was the name of the club at that  
13 time?

14 A. Callawassie Island Members Club. It was  
15 formed, I think, in '98 or '99. And it was formed to  
16 be the negotiating body and ultimate owner of the  
17 Callawassie Island Club as it was called.

18 Q. Give me the chronology of how that came  
19 about. As I understand it, there were some purchase  
20 agreement and some acquiring of assets and/or  
21 liabilities. I don't know if you can tell me.  
22 What's the progression there of events of the members  
23 club?

24 A. I think in 1994, the Chaffin Light  
25 Associates or Callawassie Island Company -- I'll just

1 say developer -- they had taken over the assets of  
2 the old country club at Callawassie in maybe the late  
3 1980s; '88, '89, I can't recollect. They signed and  
4 developed new rules, new bylaws, et cetera for the  
5 Callawassie Island Club.

6 And they also signed a purchase agreement  
7 for both the developer and the members that we felt,  
8 we being a transition committee that had been formed  
9 to think about the transfer of assets was a little  
10 onerous. And so my recollection is we created, with  
11 approval of the members, the Callawassie Island  
12 Members Club such that it was a separate and distinct  
13 named entity, corporation from anything that might be  
14 transferred from the developer.

15 Q. Was that a group that the members  
16 spontaneously sort of decided to develop? How did  
17 that come about may be a better question.

18 A. My recollection is that there was a  
19 group -- there were a group of members who were  
20 trying to evaluate the transfer of assets from the  
21 developer to themselves because there existed a  
22 purchase agreement. With some people on the island,  
23 it was felt best to create an entity -- to create a  
24 corporation through which those directors would then  
25 conduct the formal evaluation, be the corporation

1     that would receive the assets, and we were authorized  
2     to negotiate a new development -- excuse me -- a new  
3     purchase agreement with the developer.

4             That purchase agreement was approved by  
5     the membership in 1999, as I recollect. And it laid  
6     out, well, things like the purchase price, assets,  
7     the transfer, the conditions of turnover at which  
8     time it would take place. There were rules in there  
9     for arbitration, mediation, that kind of stuff.

10            And that new purchase agreement, the  
11     purchase agreement of 1999 was then taken to the  
12     membership. The actual transfer of the assets did  
13     not take place until mid-year 2001. That was  
14     approved by vote.

15            At the same time, we approved a capital  
16     expansion of the club facilities, and so there were  
17     two simultaneous votes. It may have been one vote,  
18     which was approval of the capital and approval for  
19     the transfer of the assets.

20            Q.    Were you part of the -- let me backup up.  
21     You said the view was there was an onerous agreement,  
22     the original went from the '80s between the members  
23     and the developer. How so?

24            A.    The trigger for the assumption of the  
25     assets, as I recall, was -- one of the triggers was

1 based on the number of properties sold. And back  
2 then, membership was not mandatory with the purchase  
3 of property. So the most onerous situation was that,  
4 if the developer sold dirt, 700 lots or something  
5 like that, but we only had 300 members, we would  
6 suddenly assume the assets and the cost of operation  
7 to be supported by a significantly less number of  
8 people than it was made to be financially viable,  
9 one.

10 And two, the due structure at the time  
11 would not have been compensatory to cover the cost.  
12 And so we would've been faced with a situation of  
13 probably less than the number of members we'd like to  
14 have to support the facilities and a due structure  
15 that was significantly less. Every one of us  
16 would've had to written a very big bill.

17 Q. What was the significance with the due  
18 structure?

19 I understand it could be less amount. Was  
20 there something in the structure the way the dues  
21 were set up?

22 A. No, the dollar value. It's always been a  
23 golf and social membership structure. What we did,  
24 just to finish, was to jointly, with the developer,  
25 work out an arrangement which we all agreed upon an

1 increase of dues over a two, three-year period; I  
2 can't recall.

3 And instead of the developer subsidizing  
4 the loss of the club, which of course we as members  
5 didn't see, if he tried to sell membership and  
6 property at discounted values, he was absorbing the  
7 loss in his balance.

8 What we tried to do was make something  
9 that was an arrangement such that all of us  
10 participated in covering the cost of operation and  
11 ultimately an arrangement quantifying the subsidiary  
12 of the developer to the number of unsold or unissued  
13 memberships, the golf memberships.

14 The motivation, if you sell your  
15 membership, you reduce your amount of subsidiary you  
16 provide to the club. The entire club was supported  
17 by, roughly, a full membership, either subsidiary or  
18 members paying.

19 Q. The developer agreed to that?

20 A. Yes, he did.

21 Q. Do you know, at that time, how many  
22 memberships, approximately, how many memberships were  
23 owned and how many were owned by the developer?

24 A. No, I don't. Well, I can take a very  
25 rough stab. On the golf side, he may have had about



1 140 memberships unissued out of 595.

2 Q. This was in 2001 or '98?

3 A. This would've been '98, '99 when we made  
4 the agreement. Maybe even in 2001.

5 Q. So I'm clear, so I understand, after 2001,  
6 what was the developer's obligation with regard to  
7 those memberships in paying dues and fees?

8 A. The developer's responsibility to the club  
9 was to pay a subsidy based on the number of unissued  
10 golf memberships. And that subsidy was defined for  
11 calculation purposes as nonresident dues on the  
12 unissued memberships.

13 Q. After 2001, when did that kick in?

14 A. It began -- the subsidy began in -- the  
15 quantification of the subsidiary based on unissued  
16 memberships began in 1999.

17 Q. After that point, is it correct --

18 MR. HAIGHT: Object to the form.

19 BY MR. McDANIEL:

20 Q. -- the developer was paying a set amount  
21 of dues every year depending on how many --

22 A. Unissued memberships he had.

23 Q. Was it tied at all to the profitability or  
24 loss incurred by the club during a given year?

25 A. Let me answer that in a slightly different

1 fashion. Within the purchase agreement, there was a  
2 very important clause that said the club members and  
3 the developer would arrive upon an agreed-upon  
4 budget. That agreed-upon budget would drive the  
5 amount of dues quantity, dollars of dues and subsidy  
6 required from the developer.

7 Each year, beginning in '99, we sat down  
8 with the developer and said: Here's what we believe  
9 we need to operate the business. He had been running  
10 it for several years, so it was a mutual discussion.  
11 And you added up the expenses, you added up the  
12 revenue that would come from, say, outside and the  
13 rest had to be covered in dues. The answer is: I  
14 think yes, but we did it on an annual basis.

15 Q. So the amount he paid for the memberships  
16 was limited in some fashion; is that what you're  
17 saying?

18 MR. HAIGHT: Object to the form.

19 BY MR. McDANIEL:

20 Q. I guess I'm not quite understanding. I  
21 understood your earlier answer to be he had a set  
22 amount he paid for unissued memberships which he  
23 held, the developer.

24 A. And that amount per membership was  
25 developed each year at the annual budget.

1 Q. When you said earlier it was nonresident  
2 dues, it wasn't the standard nonresident dues rate?

3 A. Yes, it was. We used that as the, I'll  
4 call it, the calculation formula.

5 Q. Would all members pay that same  
6 nonresident dues resident rate?

7 A. If you were a nonresident, whether you  
8 were an individual member or the developer's  
9 obligation as defined by unissued membership and  
10 nonresident dues, that number of nonresident dues  
11 would've been the same.

12 Q. That amount that they paid?

13 A. That amount per member would've been the  
14 same. It was just the calculation eased out. Having  
15 said that, since the developer in the past observed,  
16 I'll call it the additional loss or reaped the  
17 additional benefit, if the operation of the club for  
18 the year yielded a surplus, that went back to the  
19 developer.

20 Q. Did you know what amount that would be?  
21 Was there a set amount that he would get?

22 A. No, it's whatever the results of the  
23 operation for that year were. Sometimes it would be  
24 a good year because real estate transfer fees were  
25 included in the revenue stream. Sometimes it would

1 be a bad year.

2 Q. Real estate revenue fees were included in  
3 the club's revenue stream?

4 A. Yes. Within the purchase agreement, which  
5 you probably have --

6 Q. Right.

7 A. -- there's a paragraph that defines the  
8 elements of a mutually agreed-upon budget, the  
9 revenue stream and expenses inclusive of capital.  
10 That's what I'm trying to articulate.

11 Q. I think I'm understanding better. I just  
12 want to make sure the aspect of it is his -- the  
13 developer's dues and fees were calculated in a  
14 nonresident rate. Up to the point where there's any  
15 surplus in the budget or in the actual intake of the  
16 club, he would get that back?

17 A. Yes, sir.

18 Q. That would go back to him. Was there a  
19 check written back to him for that?

20 A. It was done from an accounting standpoint.  
21 We had a common accounting service.

22 Q. Who was that?

23 A. That was actually the developer's  
24 accounting organization at the time.

25 Q. Was that Phoenix? Do you know what that

1 is?

2 A. It ultimately became Phoenix. It was the  
3 financial arm of the developer, whether it was the  
4 Callawassie Island Company or whatever. Basically,  
5 if there was a surplus, a check would go back and  
6 less dues paid the next year or something like that.  
7 The cash would be equalized out.

8 Q. Did the club, in fact, make that return,  
9 that surplus?

10 A. On occasion.

11 Q. Were there occasions where there was a  
12 surplus that didn't go back to the developer?

13 A. I think the developer might argue that  
14 happened. I left the board in 2001 -- excuse me --  
15 2002. Whatever happened after that, I'm not really  
16 up on.

17 Q. That's a good place to go. Tell me the  
18 dates you were on the board for the Callawassie  
19 Island Club or Callawassie Island Members Club.

20 A. October of 1998 through March of 2002.

21 Q. You were on the board of directors of the  
22 club?

23 A. That's correct.

24 Q. What was your position during that period?

25 A. The last year of what was a

1 three-and-a-half year tenure, I was vice president.

2 Prior to that, I was the green committee chair. I

3 think those are probably the only two titles.

4 Q. You've never been president of the board?

5 A. No, not until this year.

6 Q. Tell me, after 2002, when the next time  
7 you served on the board.

8 A. I was asked by the nominating committee in  
9 early 2009 if I would consider coming back on to the  
10 board. I did that. In March of 2009, I came back to  
11 the board, served a three-year term in which I was  
12 treasurer for all three years.

13 I was reelected in March of 2012. And  
14 this March ends my one year term as president.

15 Q. You have two more years on the board?

16 A. I have two more years on the board and a  
17 potential of another year as president.

18 Q. Is there any required time off the board  
19 after you serve in consecutive terms?

20 A. I don't think so.

21 Q. In between those periods of 2002 to 2009,  
22 did you serve on any committees for the club?

23 A. Yes.

24 Q. What was that?

25 A. Let me go backwards. In the beginning of

1 2008, I was asked by the board through the president  
2 at the time, who was Karen Norwood, if I would  
3 dedicate myself with she and the current treasurer at  
4 the time in discussing and/or negotiating an exit  
5 strategy for the developer.

6           Going backwards, I think it was 2007, I  
7 can't recall exactly, I was asked by both the POA,  
8 the property owners association board, and the club  
9 board to lead an ad hoc committee to study the merits  
10 of merging the two organizations.

11           Q. Did you do that?

12           A. Yes, I did.

13           Q. What was the --

14           A. The outcome was they decided to defer it.

15           Q. Give a date?

16           A. No, it's one of those things that's  
17 studied every year for the last ten or 12 years,  
18 always winds up to be more legal work than is  
19 necessary.

20           Somewhere in there, in 2007 or '8, I  
21 served on the green committee again. I can't  
22 remember, I don't think there was any other  
23 involvement.

24           Q. As I understand it from the documents that  
25 we've received in the case, there was negotiations

1 with the developer in the 2008 to 2010 that  
2 ultimately ended up with an agreement with the  
3 developer; is that right, regarding their exit  
4 strategy you were talking about?

5 A. Yeah, there was a continuum of discussion.

6 Q. Describe that to me, if you would. What  
7 happened there?

8 A. The developer certainly thought he was  
9 going to be free and clear of his obligations to the  
10 purchase agreement sooner than he ultimately was.  
11 And there were some club members that felt we should  
12 look ahead to life without the developer. There were  
13 probably two, three, four efforts to sit and discuss  
14 that.

15 Q. Between who?

16 A. The developer and the club, most of which  
17 just ended in: Let's think about it manana, next  
18 year. The relationship between the two, in my  
19 opinion, had always been pretty good. There were  
20 some nagging issues.

21 And then in February 19, 2010 -- if I'm  
22 off on the 19th -- the president and I were called to  
23 a meeting with the developer and told that he was  
24 unable to fulfill his obligations up to the purchase  
25 agreement.



1 Q. Who was the president at that time?

2 A. Bob Deluca.

3 Q. Who were you called to the meeting with?

4 A. Jim Chaffin, Mont Blaisdell and Craig  
5 Simons and possibly Bill Bethea. I'm pretty sure  
6 Bill was there.

7 Q. How do you spell Bethea?

8 A. B-E-T-H-E-A. Actually, I think the first  
9 meeting Bill was not. It was in Jim's office, as I  
10 recall. Doesn't matter.

11 Q. That was February of 2010?

12 A. Yes, sir.

13 Q. That had been after discussions had been  
14 already ongoing about the developer exiting?

15 A. Yeah. Yeah. My best recollection is, in  
16 2008, we got to a point in August of 2008 where the  
17 history of the relationship was such that everybody  
18 would've like to have come to an agreement. When we  
19 got to the point of putting some of the issues on the  
20 table, there were a history of disputes, sore points  
21 that always seemed to come up. And the club's  
22 position was we've honored the agreement.

23 The developer tried to raise the issues.  
24 Generally Mont Blaisdell was the one that raised  
25 them. And we would come to a point where, you

1 know --

2 Q. Disagreed?

3 A. We continued to disagree. Jim Chaffin is  
4 an extremely, you know, honorable guy. He just would  
5 finally say: Listen, let's step back. We'll come  
6 back together again.

7 Q. What was the main sticking point that  
8 you're saying Mont Blaisdell raising?

9 A. A couple. You mentioned surplus and lack  
10 thereof. There were several instances that the  
11 developer felt that a surplus should've been passed  
12 back to them. And that surplus was diminished or  
13 used up by, one, either I'll call it excessive  
14 spending over and above the budget level or the use  
15 of that surplus to write off bad debt.

16 There was also a major disagreement with  
17 one of the paragraphs or sections -- I can't remember  
18 if it was the first or second LOU. And it had to do  
19 with the credit that the developer should receive  
20 associated with the sale of social memberships sold  
21 because, as I told you earlier, the developer's  
22 subsidy obligation was reduced by the sale of  
23 unissued golf memberships. There wasn't anything in  
24 the calculation that said: You ought to be relieved  
25 for the sale of social memberships. I just did that

1 as a background.

2 Q. Were the unissued memberships at that  
3 point all owned by the developer?

4 A. Absolutely. I guess, in perspective, when  
5 we signed the purchase agreement in 1999, the  
6 developer owned the club assets, the remaining  
7 property still unsold, and I'll call it the  
8 membership certificates. They were his to begin  
9 with. The only thing that he had given up was either  
10 the property sold, the membership sold because they  
11 were in individual hands.

12 And in 1996, he transferred the common  
13 infrastructure to the property owners. So the roads,  
14 the right-of-ways, everything were already in the  
15 hands of the POA.

16 Q. I thought it wasn't even formed in '98,  
17 '99?

18 A. We're talking two different organizations.  
19 The property owners association as defined by the  
20 covenants or the bylaws or amended declaration,  
21 that's a separate organization from the club.

22 Q. I guess you said a minute ago in '96 he  
23 transferred the common property to, I thought it was,  
24 the members.

25 A. The POA.

1 Q. I'm sorry. I misunderstood.

2 A. That's okay.

3 Q. The common property that he owned, what  
4 did that include? Did that include the clubhouse?

5 A. No, it did not include any of the club  
6 facilities. It included all the roads, causeway,  
7 security building at the head of the causeway.  
8 There's a community dock, and there were a couple  
9 other facilities, and common property. There were  
10 areas set aside as green space and that kind of  
11 stuff. That all went to the POA. It's a structure  
12 very similar to Dataw. Both clubs were formed at  
13 about the same time and the legal mottle.

14 Q. Who did the legal work for the club when  
15 you were there, particularly in '98-2001 when the  
16 club documents were drawn up? Who did that work for  
17 the club?

18 A. The advice and counsel for the POA and the  
19 Callawassie Island Members Club through 2001 and then  
20 I'll have to stop there, was Jim Scheider of what was  
21 then I think Jones, Scheider & Patterson. All of the  
22 asset transfer documents, membership plan, bylaws, et  
23 cetera, he would've had a hand in.

24 Q. Do you know if the Dataw documents were  
25 specifically used as a model for the Callawassie

1 Island?

2 A. No connection to Jim Scheider. It has  
3 always been my understanding there was a community  
4 association legal expert out of Florida who drafted  
5 or created the base documents for both Callawassie  
6 and Dataw. Had nothing to do with local  
7 representation. The gentleman that I heard mentioned  
8 was a guy name Dennis Hillier. I don't know if  
9 that's H-I-L-L-I-E-R or Y-E-R. He was kind of the  
10 guru at the time, as I hear.

11 Q. You understood he had some hand in the  
12 early drafting of the documents?

13 A. From the developer standpoint. And then  
14 local counsel for the developer was always, at that  
15 time, it was Bethea, Jordan & Griffin or Griffith.

16 MR. HAIGHT: Griffin.

17 BY MR. McDANIEL:

18 Q. Did the developer have a hand in drafting,  
19 if you're familiar, with the 2001 club documents?

20 A. I would think that a lot of those  
21 documents were just a transfer over. When you say  
22 had a hand, I don't know. I mean whether he was  
23 directly involved, I think we relied on Jim  
24 Scheider's counsel.

25 Q. I'll get you to look at that. I'll come

1 back to it. Do you recognize that?

2 A. Yeah, I do.

3 Q. I think that's titled Callawassie Island  
4 Club Members, Inc. Plan for the Offering of  
5 Membership dated 8/8/01?

6 A. Uh-huh.

7 Q. Were you on the board at the time that was  
8 adopted?

9 A. Uh-huh.

10 Q. Do you know who was hired or retained to  
11 draft this?

12 A. It would've possibly been Jim Scheider.

13 Q. Did the developer have that drafted, or  
14 was that something the club members directed?

15 A. This is my speculation. I was doing some  
16 stuff off over on the deed side. I would assume that  
17 the existing documents from the developer used this  
18 as the basis for that. That's an assumption. There  
19 was certainly a set of bylaws up to 2001.

20 Q. I guess I'm just wondering if you recall.  
21 I believe you were on the board at that time.

22 A. Yeah.

23 Q. Whether you recall the board retaining an  
24 attorney to draft this?

25 A. Yeah.

1           Q.    The board did hire the attorney that  
2    drafted the documents?

3           A.    Yeah.

4           Q.    That's what I was wondering.  I didn't  
5    know if it was the developer that had gotten this  
6    done or the board.

7           A.    To my memory, Jim Scheider represented the  
8    club and either Bethea, Jordan & Griffin or McNair,  
9    which they ultimately became, were on the other side.

10          Q.    What were the contentions as far as  
11    excessive spending that you said the developer  
12    basically had?

13          A.    I think there was some concern over  
14    repairs that were done at year-end.  This was, if you  
15    will, after my time on the board.  In the discussions  
16    that we had in 2008 and in the documents that had  
17    preceded my involvement in talking with him, there  
18    was a series of letters that went back and forth and  
19    most of them referred to that.  They were just  
20    resolutions -- problems or disputes that never came  
21    to resolution.

22          Q.    And I saw some of that in the documents  
23    that there's some discussion of, like you said,  
24    excessive spending.  I didn't know if you knew there  
25    were particular projects, particular years that had

1       come up that were the primary source of that.

2           A.    From what I remember from the discussions  
3       with Chaffin and Blaisdell, there was some concern of  
4       overspending in the reign of John Adams as general  
5       manager.  Again, that's just what I hear.

6           Q.    During the years through the time -- well  
7       from 2000 to 2008, are you aware of whether or not  
8       the developer -- whether there was ongoing dues and  
9       fees paid each year by the developer?

10          A.    Yes, sir.

11          Q.    And there was?

12          A.    Uh-huh, based on the same formula.

13          Q.    Do you know in 2008-2009 the amount during  
14       that period that he was paying yearly?

15          A.    I'd have to back up.  In 2010 when he  
16       basically defaulted on the payment of the subsidy,  
17       they equated to a little more than \$300,000 that  
18       would've appeared as operational dues or operational  
19       subsidy and probably another \$35,000 in his  
20       obligation to debt service.

21          Q.    Was that basically the yearly obligation  
22       for that year?

23          A.    Yes.

24          Q.    Do you know if it was approximately close  
25       to that in the years prior to that?



1           A.    It would've probably been little bit less  
2   on the dues side by whatever we raised dues by. The  
3   debt service was the same except for the number of  
4   memberships that he may be paying on. Except for the  
5   number of unissued memberships.

6           Q.    Are you aware of whether or not there was  
7   any deduction to the amount he was paying in for  
8   actual surpluses for any of the years from '98 to  
9   2010?

10          A.    I'm sorry. Ask me that again.

11          Q.    Obviously it appears the developer is  
12   saying there were some years there was surplus or  
13   should've been a surplus that they should've paid  
14   less or not had to pay in as much as they did. Was  
15   the amount they had to pay reduced in any years as  
16   far as you know --

17          A.    Yeah.

18          Q.    -- or did the developer pay the full  
19   amount?

20          A.    The last time I understood the surplus to  
21   have been paid back to the developer was 2006. Prior  
22   to that, I think there were. I think the arguments  
23   were that number should've either been greater or  
24   have been a surplus -- or the disputes. There was  
25   never really an argument.

1           Q.    I didn't understand if the club was saying  
2   they operated at a loss every year and they got the  
3   full amount or some years when they did, in fact,  
4   say: The maximum you could pay would be this, but  
5   you're going to pay something less than that?

6           A.    It would be based on the results for that  
7   year.

8           Q.    Tell me about the agreement that was  
9   reached with the developer. How was that resolved?

10           MR. HUGHES: Are you referring to the 2010  
11   agreement?

12           BY MR. McDANIEL:

13           Q.    2010. Are you familiar with the terms of  
14   how that was resolved?

15           A.    Yeah, we began from two separate sides;  
16   you're in default and that was the club's position.  
17   And the developer's position, yeah, but we had a lot  
18   of unsettled disputes which we will take to  
19   arbitration. The arbitration  
20   inference/threat/negotiating tactic had come on the  
21   table several times over the preceding years. So you  
22   had this and that.

23                   Both parties felt that the negative impact  
24   of any kind of a drawn out, certainly for the good of  
25   Callawassie, would have a negative impact in

1 marketing. And it would leave the club in an  
2 uncertain financial position for as long as  
3 arbitration would take.

4 We sat down and tried to understand the  
5 differences. I can remember at the first negotiating  
6 session, having been through this in 2008, there was  
7 a piece of paper that kind of was passed across the  
8 table which, you know, alleged overpayments, what  
9 have you. It could've been anywhere from half  
10 million to 800 to a million dollars.

11 The other thing was that, over and above  
12 those disputes, because of the agreements reached, we  
13 had a significant amount of money on our balance  
14 sheet that was accrued as a liability paid to the  
15 developer. And that accrual had to do with the fact  
16 that, until the Callawassie Island Members Club took  
17 over the club assets, when a member wanted to place  
18 his membership on the resale list, the developer  
19 allowed him the opportunity to accrue the dues owed  
20 against the equity in his membership.

21 Q. Tell me what that means.

22 A. Well, when I declare I want to sell my  
23 membership or resign my membership as it is in the  
24 plan, you put your membership on a resale list.  
25 Until that membership is reissued, you're responsible

1 for all the dues and obligations. Since many, if not  
2 all, of those people in that position who were  
3 accruing had left the island as a property owner, but  
4 during the period when the incoming purchaser of the  
5 property did not have to own a membership, that  
6 membership got in a queue. And the developer said:  
7 If you will subsidize that at basically 18 percent  
8 interest, I think, and allowed the members to accrue.

9 When the membership was ultimately sold,  
10 the selling member would receive the 20 percent back  
11 on his equity less -- all the owing plus the 20  
12 percent would be calculated, and he would get the net  
13 is the best way to say it.

14 Q. If the amount owed was greater than that,  
15 what would happen?

16 A. Then it was up to the developer to figure  
17 out whether or not they wanted to pursue judgment or  
18 whether that was sufficient. When we took over, that  
19 amount that was accruing, we said, well, you were  
20 owed that by previous arrangement with these members.  
21 If, in fact, that membership is sold, new certificate  
22 Callawassie Island Members Club, we would honor that  
23 agreement that you had made with the previous member.  
24 The number sticks in my head of about \$200,000 that  
25 was an additional liability.

1           The ultimate agreement boiled down to each  
2 one of us wanted a separation and a resolution of all  
3 past disputes because the negative impact on the  
4 Callawassie Island Members Club, it was the view of  
5 the board that the probability of arbitration  
6 would've split the amount of dispute; would've put in  
7 jeopardy some of the surpluses and reserves that had  
8 been built, although not necessarily in agreement  
9 with the developer, on social dues.

10           And we felt the overall change was a  
11 positive impact for the club and eliminated some  
12 significant risk.

13           Q.   What was the agreement? What was the  
14 terms, the basic terms?

15           A.   The basic terms were that the purchase  
16 agreement of 1999 and all amendments were, if you  
17 will, voided and all disputes were ended. The  
18 proceeds from the sale of any unissued membership  
19 would be shared 50/50 up through I guess the -- for  
20 ten years, which I think ends in 2020.

21           Q.   Then what happens to the proceeds?

22           A.   It all goes to the Callawassie Island  
23 Members Club unless we mutually agree otherwise.

24           Q.   That was 2010 that agreement was reached?

25           A.   Yeah, I don't know exact. Late summer,

1 early fall.

2 Q. What about the claim for dues and fees  
3 against the developer?

4 A. It was voided.

5 Q. Was there any discussion on the board as  
6 to the impact of giving up those dues and fees on the  
7 club?

8 A. Yes, along with the risk of trying to  
9 pursue payment against the developer that may well be  
10 in a bankrupt situation, no great idea or no real  
11 idea as to the structure of the corporations and what  
12 might be protected, and the fact that there was  
13 considerable concern that, to pursue arbitration,  
14 given the complicated history of the development, you  
15 know, you kind of could see somebody saying: Well,  
16 I'm not too sure. I've got all this. Why don't we  
17 do a little bit for you, a little bit for us. And  
18 the negative impact on that would've been far  
19 greater.

20 Q. Was it the board's, as far as you know the  
21 discussion, was the board's belief that the developer  
22 was correct, that he was owed some money? He  
23 overpaid?

24 A. I believe we felt as a board that his  
25 arguments could've found a sympathetic ear and,

1       therefore, we had greater risk of losing our  
2       financial position we were in than not. I mean, I  
3       think it was a positive settlement for the  
4       Callawassie Island Members Club given the amount of  
5       money that could've been taken from our balance sheet  
6       and, at the same time, we released ourselves some  
7       obligations to him in the future such as the accruing  
8       memberships.

9               Q.     Such as what?

10              A.     The accruing membership liability that was  
11       owed.

12              Q.     Is there a calculation that was done as to  
13       how much in future dues and fees from the developer  
14       the club was giving up by reaching the agreement?  
15       Anybody make that calculation?

16              A.     Number of unissued golf memberships times  
17       the dues, which at that time was 300,000, in addition  
18       to the debt service.

19              Q.     I want to make sure. The calculation of  
20       the board -- to me it seems that's a very large  
21       amount of money in dues and fees.

22                     MR. HAIGHT: Object to the form.

23       BY MR. McDANIEL:

24              Q.     I'm wondering if that was discussed with  
25       the board as to say the projection of \$300,000,

1 approximately, income into the club each year, the  
2 liability that's outstanding that's against us --

3 A. Is over 300,000 significant? Like I said,  
4 it could've been argued it was 800,000 the liability  
5 against the club. I understand it's a big nut. But  
6 the membership understood for a very long period of  
7 time that the contribution from the developer  
8 would've had an impact of, roughly, 60 bucks a month  
9 if, in fact, he did not honor his agreement, which  
10 was by the way, an issue highlighted in the 2006  
11 strategic plan.

12 Q. This came out of his obligation all  
13 together; right?

14 A. Got us out of the risk of losing an  
15 arbitration case, too.

16 Q. Which you say could've been 800,000 or  
17 more?

18 A. Yeah.

19 Q. He could have paid nearly a million  
20 dollars in dues in three years?

21 A. He has to get it from somewhere.

22 Q. What do you mean?

23 A. If he doesn't have cash.

24 Q. He has to have the money to be able to do  
25 it?



1 A. Yeah.

2 Q. The concern was, even though he may owe  
3 the club this large amount of money, he may not be  
4 able to pay it?

5 A. That's correct. I mean, they also had a  
6 major development in North Carolina which, basically,  
7 went belly up.

8 Q. Do you know the name of it?

9 A. Yeah, Balsam Mountain.

10 Q. That was Chaffin Light's group?

11 A. Uh-huh. I have no idea how their internal  
12 books work. It's kind of Chaffin Light East, Chaffin  
13 Light West.

14 Q. What was done as far as discussing this  
15 agreement and the dispute with the general membership  
16 of the club?

17 A. I can remember on at least two town  
18 meeting agreements, or two town meetings bringing the  
19 membership up-to-date with the status of the  
20 discussion with the developer. And there was  
21 probably a letter of correspondence that described  
22 settlement.

23 Q. Was there any discussion on the board to  
24 keep the negotiations confidential?

25 A. In what way?

1           Q.    From the membership. That you would keep  
2    it just within the board.

3           A.    The negotiations, yes. We're not going to  
4    get into public status of day-to-day negotiations.  
5    The agreement was discussed.

6           Q.    Do you think it was discussed with the  
7    board the contentions that were made by the  
8    developer?

9           A.    Fully. Fully.

10          Q.    Those would've been at the town meetings?

11          A.    No, you said with the board.

12          Q.    I'm sorry. With the members.

13          A.    Yes, in broad detail, yes.

14          Q.    Broad detail. I like that oxymoron.

15          A.    I can remember saying in December town  
16    meetings, which were kind of a wrap-up, that there  
17    were outstanding issues between the club and  
18    developer that had arisen over the years and that,  
19    you know, there could be, if you will, perceived  
20    fault on both sides.

21          Q.    Do you recall any members asking for more  
22    details about that?

23          A.    No.

24          Q.    If they had asked, do you know what the  
25    board's position would've been about discussing that

1 with them?

2 MR. HAIGHT: Object to the form.

3 THE WITNESS: I think we would've probably  
4 been as open as we felt was necessary, but I'm not  
5 too sure we'd gotten into the nitty gritty of every  
6 dispute.

7 BY MR. McDANIEL:

8 Q. Why not? What's the policy basis for why  
9 you wouldn't discuss it with the members?

10 MR. HAIGHT: Object to the form.

11 THE WITNESS: I guess we don't get  
12 involved in open negotiation on every item with the  
13 members. That's what they asked us to do. I mean, I  
14 don't know how else to answer it.

15 BY MR. McDANIEL:

16 Q. I understand that.

17 A. It's the same -- similar to the policy  
18 that we have on financials. We give summary  
19 judgment. We do not get into line item details,  
20 salaries, stuff like that.

21 Q. I certainly understand there's certain  
22 privacy issues with the members, and they wouldn't be  
23 asking you for the details of administration. It  
24 seems like this a pretty important --

25 MR. HAIGHT: Object to the form.

1 BY MR. MCDANIEL:

2 Q. -- issue for the club. Would you agree it  
3 was a fairly significant deal for the club?

4 A. I will agree it was a significant  
5 decision. I don't think you -- let me put it another  
6 way. As you asked me earlier, I think: Did people  
7 understand it? Half the people in that room or more  
8 than half would not have understood the issues if we  
9 explained it.

10 Q. Why is that?

11 A. Because the idea, as long as they're not  
12 paying, the individual issues of bad debt or, you  
13 know, overspending, wouldn't have understood.

14 Q. Why do you think they wouldn't have  
15 understood?

16 A. I think the level of detail was beyond the  
17 average member.

18 Q. Let me ask you about some individual  
19 people. Are you familiar with Richard Mercier?

20 A. Yeah.

21 Q. How do you know Richard Mercier?

22 A. As a long time member. Played a lot of  
23 golf with him. Known him for a long, long time.

24 Q. Have you ever discussed his resignation or  
25 his leaving the club with him?

1           A.    Personally I have not, but I know other  
2 members who have.

3           Q.    Who do you know?

4           A.    Bob Deluca, who's a long-time friend from  
5 upstate New York.

6           Q.    Long time friend of yours?

7           A.    No, Mr. Mercier's.

8           Q.    What did you understand that conversation  
9 entailed?

10          A.    Mr. Mercier basically said: I can't  
11 afford to live here anymore, so I quit.

12                   And the president advised him on more than  
13 several occasions, not as the president but as a  
14 friend, there were certain options that would help  
15 you reduce your cost of being here such as senior  
16 discount or what have you and take a look at it. But  
17 Mr. Mercier felt in some fashion he had some right to  
18 resign without paying.

19          Q.    You mentioned senior discount. What other  
20 discounts are there with the memberships that you're  
21 aware of?

22          A.    Senior and surviving spouse.

23          Q.    Is there a military discount?

24          A.    Not to my knowledge.

25          Q.    What kind of discount do you get for

1 senior or surviving spouse?

2 A. It's in the membership plan. It's 20  
3 percent. That discount is an accrual against the  
4 equity, so it's not a total forgiveness.

5 Q. In the accrual situation, does the amount  
6 of the membership, is that the limit of their  
7 liability?

8 A. Not necessarily, no.

9 Q. When is it, when is it not?

10 A. Let me try it a different way. When our  
11 golf equity membership cost \$45,000, the general  
12 probability that somebody exceeded that was not very  
13 great. When we reduced the membership fee for golf  
14 to 15,000, there would be certain situations where  
15 the accrual would exceed that.

16 I believe in the amended membership plan  
17 that reduced the equity to \$15,000, we added language  
18 that essentially a mortgage would be signed between  
19 the accruing member and the club so that the full  
20 resolution, the full payment would be made.

21 Q. When was that done, that change you're  
22 talking about, the amendment?

23 A. 2010.

24 Q. Prior to that, it would not have been --  
25 that would not have been the case?

1           A.    I'm not too sure we've ever had a  
2           situation that the 45 was exceeded. We would have to  
3           make a judgment as to whether or not we wanted to  
4           pursue it.

5           Q.    Do you believe that the membership  
6           documents prior to that, before the amendment, was  
7           such that, that right existed to pursue beyond the  
8           value of the membership?

9           A.    That I couldn't tell you, because I don't  
10          know if there was a specific reference to that.

11          Q.    In 2010, you put the reference in the  
12          documents?

13          A.    Yes.

14          Q.    If it was already there, if it was there  
15          before, why would you amend in 2010 to include it?

16          A.    Yeah, you dropped from \$45,000 worth of  
17          collectability to 15. The probability that the  
18          amount owed or accrued would be greater with 15 is a  
19          lot more than -- a lot higher than the probability  
20          that 45 wouldn't cover it.

21          Q.    I just want to be clear. You don't know  
22          of any provision prior to the 2010 amendment that  
23          would have accrued that -- let me use a different  
24          word -- would have made the members' liability  
25          greater than the equity?

1           A.    I'm sorry.  I don't understand your  
2   question.

3           Q.    Prior to 2010, you said there was amended  
4   membership plan.  As I understand it, the point of  
5   the amendment was to put into the governing documents  
6   that the club's ability to collect was greater than  
7   the value of the membership.  Is that wrong?

8           MR. HAIGHT:  Object to the form.

9           THE WITNESS:  Let's back up.

10          BY MR. MCDANIEL:

11          Q.    Tell me what this amendment was.  Maybe  
12   that's the best way to do it.

13          A.    It's in the plan.  I do not know of any  
14   specific language in the prior plan that said you are  
15   precluded or I need an additional amendment to pursue  
16   payment over the 45.  I think that's the way I want  
17   to say it.  Because the 45 was of such sufficient  
18   reach, I don't think anybody thought about it.  When  
19   we reduced the membership fee to \$45,000 --

20          Q.    To 15.

21          A.    Excuse me, to 15.  Thank you.  We  
22   understood that it was possible that accrual limit  
23   could be passed.  And so we made clear that, to assure  
24   that we were still protected and people understood  
25   their obligation, there was the additional clause



1 added that said, in essence, instead of having a  
2 piece of paper worth \$45,000 as your amount that  
3 could be accrued against, you would sign, in essence,  
4 a mortgage.

5 Q. Was there an actual document that they  
6 signed to that effect?

7 A. I believe there were documents drafted. I  
8 don't know if there were any signed.

9 Q. Would that be for people now buying  
10 memberships? Did you send that out to all the  
11 membership to sign?

12 A. It would've only been to those that had  
13 selected the senior status and surviving spouse  
14 status to begin with, which I think are six or eight  
15 members.

16 Q. This 2010 amendment about the accrual only  
17 applied to those two discounted issues?

18 A. That's correct.

19 Q. It didn't apply to accrual, or did it  
20 apply to accrual of debts, fees, and obligations  
21 generally?

22 MR. HUGHES: Object to the form.

23 THE WITNESS: Try me again.

24 BY MR. McDANIEL:

25 Q. You said it was limited to the discounted

1 rates. It was specific to the discounted rates for  
2 senior and surviving spouse. I guess I was under the  
3 impression, I want to see if I'm correct, it was  
4 something that applied to any accrual --

5 MR. HAIGHT: Object to the form.

6 THE WITNESS: I'm not too sure of any  
7 accrual.

8 BY MR. McDANIEL:

9 Q. Anybody who's late on dues, fees  
10 assessments.

11 A. That's not accrual. That people clearly  
12 understand that they owe something that will be paid  
13 at some later date. I don't quite understand your  
14 question as it relates to people who are in arrears,  
15 period, who just don't pay.

16 Q. You're saying the difference between the  
17 accrual is this is a discounted amount because of the  
18 way it's allowed to accumulate?

19 A. That's correct. It's like a reverse  
20 mortgage.

21 Q. Are resigned members allowed to accrue  
22 dues and fees?

23 A. No, sir, that accrual privilege stopped  
24 when the Callawassie Island Members Club assumed the  
25 assets of the club in 2001. Prior to that, that

1     accrual option was offered by the developer.

2             Q.     Would you agree members who joined prior  
3     to 2001 would have that accrual option?

4             MR. HAIGHT:   Object to the form.

5             MR. HUGHES:   Object to the form.

6             THE WITNESS:   If they were on the resale  
7     list, yes.   Let's try this again.   If a member  
8     resigned, which means he put his name on the resale  
9     list prior to the middle of 2001, the developer  
10    offered that option.

11   BY MR. McDANIEL:

12            Q.     Let me stop you there.   He offered it in  
13    the governing documents, or you think made specific  
14    offers to people?

15            A.     My recollection is the accrual option was  
16    included in the membership plan or bylaws that  
17    existed prior to 2001.

18            Q.     The governing documents under which those  
19    people purchased included the accrual option?

20            MR. HAIGHT:   Object to the form.

21            THE WITNESS:   If you're trying to say that  
22    right continues --

23   BY MR. McDANIEL:

24            Q.     No, I'm just asking at the time.

25            MR. HAIGHT:   I will object to you not

1 allowing the witness to answer the question. He is  
2 allowed to answer the question. He was trying to  
3 answer the question. You interrupted him.

4 BY MR. McDANIEL:

5 Q. I'm just saying the amount of -- I'm just  
6 trying to figure out, from the time that the accrual  
7 language was there when they purchased it. I  
8 understand you're going to contend probably that  
9 changed at some point. I'm just saying, the  
10 governing documents when people purchased prior to  
11 2001 contained this accrual language with regard to  
12 resignation?

13 MR. HUGHES: Object to the form.

14 THE WITNESS: The answer to that is yes.  
15 And the continuing answer to that. And that option  
16 was removed by full approval of the membership in the  
17 2001 documents and, in fact, to be even clearer, it  
18 was approved with the approval of the purchase  
19 agreement in 1999.

20 BY MR. McDANIEL:

21 Q. So the purchase agreement contains  
22 reference to that provision?

23 A. Yes, purchase agreement says, at the time  
24 of asset transfer, the option to accrue dues against  
25 equity ceases. And that was approved by all the

1 members.

2 Q. When you say all the members, you mean  
3 what?

4 A. Of the Callawassie Island Members Club  
5 when they approved the purchase agreement in 1999.

6 Q. All means 100 percent?

7 A. No, I think it was 80/20.

8 Q. 80 percent?

9 A. Yeah.

10 Q. How was that vote taken? Was it secret  
11 ballot, was it hand raised?

12 A. It was a written ballot.

13 Q. Do you know if those ballots still exist?

14 A. No, I don't.

15 Q. Do you know who at the time maintained  
16 those records?

17 A. The secretary of the club during that  
18 period might've been Howard Keys. Of the club  
19 meaning the Callawassie Island Members Club.

20 Q. Generally, the secretary would keep voting  
21 records, to your knowledge?

22 A. I don't know if they keep the individual  
23 ballots. They keep the certification.

24 Q. Was any outside company at that point  
25 verifying the vote?

1           A.    I can't recall.

2           Q.    Do you know if at any point the club has  
3 retained an outside company to verify or to audit the  
4 vote?

5           A.    The only time to my knowledge we have done  
6 it in the recent past is capital assessment. It has  
7 traditionally been a vote-counting committee of a  
8 couple board members and a couple members at large.

9           Q.    How was the change in that membership plan  
10 or that part of the governing documents published to  
11 the members? How were they notified of the changes  
12 in the plan?

13          A.    My recollection of the purchase agreement  
14 approval was the purchase agreement was sent to the  
15 individual members along with the ballot. And that  
16 there was a cover letter which highlighted all the  
17 significant changes and reasons for the  
18 recommendation to approve.

19          Q.    Do you think that in that cover letter,  
20 one of the highlighted parts would've been that issue  
21 of accrual?

22          A.    Yes, sir.

23          Q.    And then --

24          A.    I remember that specifically because it's  
25 been raised by a few people; members who felt that

1 was done sub rosa, which is not the case.

2 Q. What about the 2001 governing documents?

3 A. 2001 governing documents, I again recall  
4 included copies of the amended documents in addition  
5 to -- well, the ballot. In addition to the ballot  
6 itself.

7 Q. Do you recall any letter highlighting the  
8 changes in that situation?

9 A. I'm sure, yeah. It would've also been a  
10 letter -- I can't remember if it was two separate  
11 votes or one vote to do two things; one of which was  
12 to transfer the assets and the second was to approve  
13 a \$3 million capital improvement program. And that  
14 was done at the same time. And the reason it was  
15 done at the same time is, for the Callawassie Island  
16 Members Club to have borrowed the money to do the  
17 capital improvement, it needed the assets as  
18 collateral. So the transfer of the assets and the  
19 capital improvement program were approved  
20 fundamentally as one.

21 Q. You left the board in 2002?

22 A. 2002. March of 2002.

23 Q. The time you left the board, who would be  
24 responsible for issuing membership certificates?

25 A. Issuing? You mean actually sent, mailing?

1           Q.    Right.  You get a new member.  Who was it  
2   that was sending out memberships?

3           A.    Possibly someone, I'll call it the  
4   sales-real estate office.  Probably Ellen Padgett or  
5   someone working in the office.

6           Q.    I think you know where I'm going with it.  
7   What was the nature of the club's management at that  
8   point, 2001 and 2002?  Describe for me how the club  
9   administration particularly was being run.

10          A.    It was utilizing the same people -- let's  
11   see.  It was utilizing the same, I'll call it  
12   company, administrative staff that had been used in  
13   prior years.

14                The accounting services, HR services, real  
15   estate and marketing, regardless of funding, were  
16   pretty much provided by the developer.

17          Q.    There wasn't a lot of hiring of new people  
18   once the members took over?

19          A.    No.  And the transaction, of course --  
20   when somebody came in to look to buy property, there  
21   was the real estate agent.  He didn't pass him over,  
22   to my remembrance, the membership person who then  
23   passed it over.  They basically said:  Here's the  
24   package.

25          Q.    Was that by design?  Was that the way the



1 club wanted to present? Have one person to be able  
2 to answer the questions for all those issues?

3 A. Prior to 2001, the club wasn't part of  
4 that transaction other than just existing as the  
5 Callawassie Island Club. The developer's real estate  
6 effort presented the opportunity to buy property and  
7 the opportunity to buy membership in one sitting.

8 Q. That was prior to 2001?

9 A. Uh-huh, and probably continued thereafter.  
10 The physical contact of somebody coming is the same.  
11 It's not like buying used car where you go around,  
12 after you decided to buy, and see everybody that's  
13 going to sell you the warranty program.

14 Q. When a person came in, they wouldn't be  
15 directed -- in 2002 let's say. They wouldn't be  
16 directed over to the club to negotiate or figure out  
17 their purchase into the club?

18 A. No, they would've met probably at the  
19 sales office with someone that showed them the total  
20 package of property ownership and membership.

21 Q. You said the memberships were issued out  
22 of that same office basically to the members?

23 A. Yeah, the administrative services came on.

24 Q. Do you ever recall any instance after 2002  
25 referring anybody to that office, Ellen Padgett

1 particularly, with regard to a membership question?

2 A. I mean, over the years there have probably  
3 been people that we -- there are people that were  
4 responsible to answer questions about membership and  
5 that changed with the administration. But I can't  
6 remember if they said go down the hall. I can tell  
7 you, in my day, when I first joined, if you needed to  
8 get an answer, you called Ellen Padgett.

9 Q. When did that change? Do you know when  
10 Ellen left or no longer the person to go to?

11 A. No, I don't. Somewhere in the mid-2000.  
12 We had other people, though, I'm sure that had that  
13 role. I just don't remember.

14 Q. Do you know now who has that role that  
15 Ellen had in mid-2000?

16 A. Specific questions would be Lindsay  
17 Cooler, who is the membership director.

18 Going back to what I said earlier, every  
19 one of those real estate agents that greet people at  
20 the door should be well aware of the membership  
21 option and package. It would only be on specifics.  
22 I do think Lindsay now meets with every prospect just  
23 to make sure they understand.

24 Q. Do you know who it was? I know you don't  
25 remember all of them. Between Ellen and Lindsay, do

1 know any of the others.

2 A. No, I remember a lady named Lynnette.

3 Q. Let me ask you about a couple more people.

4 Tom Bayless. Do you know Tom Bayless.

5 A. I do know Tom Bayless.

6 Q. Tell me your interaction with him with

7 regard to his -- specifically with regard to his

8 membership and any issues with his membership.

9 A. Tom and Betty Bayless, his late wife, were  
10 long-term members of Callawassie. They were  
11 significantly active in the POA board; both served on  
12 that board. And Tom and Betty were extremely active  
13 in the covenant change in 2001 in assuring and being  
14 the telephone chain to get votes. Unfortunately,  
15 Betty passed away, and Tom is remarried and has opted  
16 to discontinue paying.

17 Q. Have you ever discussed that with him?

18 A. Personally, no.

19 Q. Are you familiar with any -- have you been  
20 relayed any discussions with other board members with  
21 him?

22 A. No.

23 Q. Any members that have talked about that  
24 decision?

25 A. Other than the normal rumor mill, but

1       that's hearsay.

2               Q.     What about Ron and Ann or Janette Dennis?

3               A.     No. I know the name. That's it. I

4       wouldn't recognize either one of them.

5               Q.     What about the Aultons, either Mike or

6       Sandra?

7               A.     Met Mike in 2001 and '2 or '1. He was the

8       construction supervisor for O'Connor & Taylor when we

9       redid the clubhouse. I know him by face. And he

10      later decided to invest in Callawassie. I think

11      that's probably how he met or was introduced to

12      Callawassie.

13              Q.     Was through that job. Have you discussed

14      with him any issues of the litigation?

15              A.     No, sir.

16              Q.     What about Sandra Aulton?

17              A.     No, sir.

18              Q.     What about Arthur Applegate? Are you

19      familiar with Arthur Applegate?

20              A.     First time I heard Mr. Applegate's name

21      was March of 2009.

22              Q.     How did that come up?

23              A.     I was attending, as a guest the very first

24      month I was in office, the POA finance committee

25      meeting, the treasurers of each organization, ex

1 officio members. And there was great discussion  
2 about accounts receivable and people who were in  
3 arrears to the POA. Mr. Applegate was at the top of  
4 that list. I was surprised because I do know a Jeff  
5 Applegate. That didn't make sense. And I realized  
6 this was a different Applegate. I've never seen the  
7 gentleman.

8 Q. Never spoke to him?

9 A. Wouldn't know him from Adam's house cat.

10 Q. What about Bill Hobson?

11 A. Yes, sir.

12 Q. Tell me about your dealings with Bill  
13 Hobson generally.

14 A. Personal dealings, I've had only e-mail  
15 exchanges. I know who Mr. Hobson is. Know him by  
16 face. We were never personal friends as I was with,  
17 still am I think, with Dick Mercier. He, like  
18 Mercier, and I have been around for quite a while.

19 Q. Have you discussed with him any of the  
20 issues that are part of this litigation of the clubs?

21 A. By e-mail.

22 Q. Tell me the nature of those discussions,  
23 if you can remember them.

24 A. The club made an offer to him and several  
25 other members back, probably late 2009, early 2010,

1 an offer that was authorized by the board. And  
2 Mr. Hobson took exception to that and sent me some  
3 e-mails.

4 Prior to that, I know -- not with me --  
5 there was discussion as to whether or not he needed  
6 to pay dues on two memberships or one membership.

7 And prior to that, there was a whole  
8 flurry of e-mails that I would receive and other  
9 members would receive, not only about dues but an  
10 irrigation system replacement, which he and several  
11 of his friends were not very happy about doing on the  
12 golf course.

13 Q. Do you recall what his concern about the  
14 irrigation work was?

15 A. Yeah, in his opinion there were issues  
16 with DHEC, and he didn't think we needed to do it.

17 Q. When did that occur, do you remember?

18 A. Whenever the golf course renovation was  
19 passed, he proceeded to try to -- he proceeded the  
20 dialogue with DHEC to try to get it stopped.

21 Q. Was it ever represented to the members  
22 that DHEC required that those alterations be made?

23 A. I can't remember all of it. There was  
24 inference that it wasn't required. The project was  
25 approved 80 percent to 20.

1           Q.   Do you know whether or not the board  
2   represented to the members that DHEC was requiring  
3   that change, that irrigation work be done?

4           A.   I can't remember the exact language. I  
5   know the concern expressed by the board for sure was  
6   that our well permits would not be renewed if there  
7   was not a positive plan for the reduction of water  
8   usage.

9           Q.   Do you know who was hired to do the work  
10   on the course?

11          A.   No, I don't specifically. There was a  
12   primary contractor and a series of subs.

13          Q.   Let me ask you about the club rules  
14   regarding pursuit or actions against delinquent  
15   members of dues and fees. Are you aware of any  
16   changes made in the governing documents with regard  
17   to how club members, the accrual of dues and fees  
18   of -- the amount of dues and fees -- let me it hand  
19   you something. It will be easier this way.

20                Are you familiar with the 2001 club  
21   general rules with regard to the pursuit of the dues  
22   and fees that are unpaid, delinquent?

23          A.   Yes, from all the correspondence that I've  
24   seen.

25          Q.   Is it your understanding that those rules

1       have changed since 2001 with regard to how dues and  
2       fees that are delinquent are pursued?

3               MR. HAIGHT: Object to the form.

4               THE WITNESS: Say that again, or ask me  
5       that again, please.

6       BY MR. McDANIEL:

7               Q. In the general club rules of August 2001,  
8       there's some provisions with regard to delinquencies  
9       and the actions taken or would be taken with regard  
10      to members who have delinquent accounts or  
11      statements. I'm wondering if you're aware, just off  
12      the top, just from your memory, of changes to those  
13      provisions with regard to delinquencies and how  
14      they're handled?

15              A. Well, whatever is changed from there and  
16      the latest, which is what? 2009. I think there's  
17      one word change only because of what I've heard from  
18      discussions about delinquencies. That was the shall  
19      to may. The words themselves, and the actions are  
20      two very different things.

21              I know of no -- I was never part of nor  
22      aware of any expulsion period and certainly none  
23      associated with any period of time. I don't know if  
24      that's ever happened.

25              Q. To your knowledge, no member has ever been



1 expelled?

2 A. Not to my knowledge. That I'm aware of  
3 the circumstances.

4 Q. To your knowledge. You're a board member  
5 for four years, '98 to 2002, and now you're a board  
6 member.

7 What is your understanding of that  
8 provision that you're talking about; the way that it  
9 was and with the changes? What's your understanding  
10 of the suspension and expulsion of members with  
11 regard to unpaid or delinquent accounts?

12 A. We have a process -- I can't speak for  
13 prior to 2009 -- that follows a 30-60-90-day routine,  
14 at which time -- I think it's at the 90th day we  
15 refer people to counsel. And a demand letter is  
16 sent.

17 The member is given notice, please respond  
18 to how you're going to fix this in 30 days or we will  
19 proceed with legal collection efforts; I guess the  
20 best way to say it.

21 Prior to that, I can't give you the  
22 specifics. And then we pursue that until the  
23 collections are made.

24 MR. McDANIEL: Mark this as exhibit 1.

25 (DFT. EXH. 1, General Club Rules dated

1 8-8-01, was marked for identification.)

2 BY MR. McDANIEL:

3 Q. Look at that, see if you can recognize  
4 that document.

5 MR. McDANIEL: Let's take a quick break.

6 (A recess transpired from 11:51 a.m. until  
7 11:57 a.m.)

8 BY MR. McDANIEL:

9 Q. Mr. Switzer, have you had a chance to look  
10 at that document?

11 A. Yes, sir.

12 Q. Can you tell us what that is.

13 A. It's the general rules of August 8, 2001.

14 Q. Of the Callawassie Island Members Club,  
15 Inc.?

16 A. Yes.

17 Q. Are you familiar with when any amendments  
18 to these general rules might've been made since 2001?

19 A. I'm aware there have been some, but I  
20 don't really recall the dates of them. The latest  
21 version should be up on the website. Whatever has  
22 transpired between then and now.

23 Q. Tell me your understanding of the process  
24 that's required to amend the club rules.

25 A. To my understanding, the amendment of the

1 club rules can be -- 1.3: The board of directors  
2 reserves the right to amend these rules when  
3 necessary and will notify membership of any changes  
4 and any amendments or modifications should be subject  
5 to or controlled by the provisions of the bylaws and  
6 plan offering.

7 Pretty much, unless it violates something  
8 in the bylaw, it's at the discretion of the board.  
9 That's my understanding.

10 Q. Do you know whether or not there's any  
11 vote that's required by the membership for changes to  
12 the rules?

13 A. Not that I'm aware of unless it creates  
14 some change in the membership plan or bylaws that  
15 would require it.

16 Q. Are you aware of whether or not the bylaws  
17 or the plan of offering membership requires a vote by  
18 membership to make any change in those documents?

19 A. I think there's language similar to it.  
20 I'm not a lawyer. Anything that has an adverse,  
21 material effect on membership must be approved by,  
22 basically, that segment of the membership.

23 Q. Let me get you to look at section 13.3 of  
24 this document, which is page eight.

25 A. 13.33 or 13.3?

1 Q. 13.3. Under 13, dues, fees, assessments,  
2 and charges. Do you see that section?

3 A. Yes, sir.

4 Q. 13.3.1, get you to read over that and give  
5 you a chance to read it. And I'll ask you a question  
6 or two about it.

7 A. Okay.

8 Q. Is it your understanding of that provision  
9 that a member who is delinquent for more than 60 days  
10 would be suspended from membership?

11 A. Yeah, it goes to the 30-60-90-day process.

12 Q. I don't see 30-day. Do you see anything  
13 with 30 days in that?

14 A. I think --

15 Q. Or is it somewhere else?

16 A. I think there's somewhere else in there  
17 delinquency, 30-days hence is beginning.

18 Q. I do see it.

19 A. It says a member who is before 60 days. I  
20 think you're delinquent at 30. That's why we've got  
21 the process.

22 MR. HAIGHT: Brian, it might help if you  
23 look at 13.1.2.

24 BY MR. McDANIEL:

25 Q. It looks to me like the member can be

1       suspended for up to four months?

2             A.    Uh-huh.

3             Q.    At the four-month mark, it says:  A member  
4       whose account is not settled within the four-month  
5       period following suspension shall be expelled from  
6       the club?

7             A.    Uh-huh.

8             Q.    Is it your understanding that was the  
9       policy, I guess, until at least the current changes  
10      of the club?  That was the policy to expel members  
11      after four months --

12            MR. HUGHES:  Object to form.

13       BY MR. McDANIEL:

14            Q.    -- because of delinquency?

15            A.    Let me try it another way.  It has never  
16      been the practice and, therefore, I've never known it  
17      to be the policy that any members have been expelled  
18      in a period of whether it be four months or six  
19      months.  I understand what the words say, but I've  
20      never known that to happen.

21            Q.    Would you agree that the words say the  
22      member shall be expelled with four months of  
23      delinquency?

24            A.    I agree that's what it reads, yeah.

25            Q.    13.3.3.  Would you take the time you need

1 to look over it. I'm going to ask you a question  
2 about it. If you need more time to read it.

3 A. Yes, sir.

4 Q. Does that indicate that the unpaid dues or  
5 charges --

6 A. It says to me, when a member sells his  
7 membership, that the club has a lien for all  
8 arrearages against that membership. And that's  
9 written right on the membership certificate also.

10 Q. As a lien, they can deduct from the sale  
11 price to collect back unpaid dues, fees, the accrual  
12 of reasonable attorney's fees; is that what you  
13 understand it to be?

14 A. Yes.

15 Q. Does that discuss, in your understanding  
16 of it, what happens if the amount of those dues, fees  
17 and whatever are greater than the value of the  
18 membership when it's sold?

19 A. No. No, it doesn't, but it doesn't limit  
20 the club to pursue that amount through other means.

21 Q. Do you believe that's indicated somewhere  
22 else in the general club rules? The further  
23 expansion of that or the additional efforts to  
24 recover are indicated somewhere?

25 A. I think that is covered -- I don't know

1     this for a fact -- whether it would be covered in the  
2     bylaw or plan of record. That point -- there are two  
3     things that have changed practically since 2001.

4             Q.     What is that?

5             A.     One of which we're in a real estate  
6     recession. And so in the early period of 2001 to  
7     2005, given that our equity price was \$45,000, and  
8     properties were moving, it was sometimes cheaper to  
9     wait for a membership sale to go through than hire a  
10    lawyer.

11            The second thing that has changed, because  
12    of that recession, the number of receivables, the  
13    number of members going delinquent spiked beginning  
14    in 2008 from those that had been chronic from 2003  
15    on. Coupled with the reduction of \$45,000 to 15, the  
16    possibility that some of these long-term delinquents  
17    we felt, to assure and to recover all that's owed, we  
18    would go with legal action.

19            Q.     When did the reduction from 45,000 to 15  
20    occur?

21            A.     2010, I think.

22            Q.     Tell me what's your understanding of what  
23    it means to be an equity member versus regular  
24    private club member.

25            MR. HAIGHT: Object to the form.

1                   THE WITNESS: To me, it means two things.  
2       Partial ownership or ownership in the assets of the  
3       club. And, two, the opportunity to vote, have a  
4       voice in the operation of the club.

5       BY MR. McDANIEL:

6                   Q.   How much is your ownership interest?

7                               Not percentage-wise, dollar figure or the  
8       amount for which you purchased that membership.

9                   A.   I was looking at it in a different  
10      fashion, and that is, if we ever sold the club to  
11      Trump, I would think each one of us would get some  
12      kind of compensation for that, even if it was zero.  
13      At least there would be a consideration. We would  
14      have a vote in that or a say in that vote.

15                  Q.   Would you agree that the person has an  
16      ownership interest in their membership?

17                  A.   Yeah, I think when you purchase at  
18      Callawassie, although as much as we would like to  
19      change it to more of a common model, you have two  
20      pieces of paper. You have a deed and you have a  
21      membership certificate. The sum of those two are  
22      your investment in the island.

23                  Q.   You don't have to have the deed. You can  
24      just buy into the club; right?

25                  A.   The answer to that is yes, but practically



1 it would never be an equity relationship for two  
2 reasons, one of which is it potentially would affect  
3 the tax status of the club.

4 Q. How so?

5 A. Property tax status, excuse me, in  
6 Beaufort County. And the other is that the practical  
7 market for an equity certificate off island, if you  
8 wanted to sell it, you would go to the bottom of the  
9 list and probably never get to the top.

10 The best thing, if I wanted to purchase a  
11 membership in Callawassie, would be to purchase an  
12 associate or nonequity membership. Then you are not  
13 bound in obligation until that membership is reissued  
14 as you are today and have been in the past.

15 Q. What's your understanding of the tax  
16 implications? I don't quite follow that.

17 A. Back in 2001 there was some cases where  
18 the golf courses and club amenities in our particular  
19 case were taxed at \$90,000 when they're owned by the  
20 developer. There was a decision made, and I don't  
21 know that Dataw was the lead in this where, if the  
22 club was for the benefit of the property owners, then  
23 the club property itself was perceived more as a  
24 common property. Since we as members and residents  
25 were paying, if you will, property tax, it was -- I

1 don't want to say double counting. There was relief  
2 granted.

3 To minimize property tax implications,  
4 you're better off not selling equity memberships out  
5 of the POA domain.

6 Q. You're saying every equity membership  
7 should also own property on Callawassie? I'm a  
8 little cloudy on that.

9 A. I really maybe just brought up a  
10 consideration. If you're perceived as selling equity  
11 off island, it does have a property tax evaluation  
12 impact, so it's better for both parties to consider  
13 nonequity off-island sales.

14 Q. Are you aware of equity members who don't  
15 have property on Callawassie Island?

16 A. Yes, those people who are on the resale  
17 list may have sold their property and not sell their  
18 membership at the same time. They would go on a  
19 resale list. They would still be equity members.  
20 They would still be liable for the dues and other  
21 obligations until reissued. There are a few of those  
22 left.

23 Q. Are you aware of anybody who never owned  
24 property in Callawassie that said, I want to a buy  
25 membership in the club, and got an equity membership?

1           A.    Yes; personally no. But the original  
2   concept of the Spring Island Founder memberships  
3   would fit that category. They were, in essence, made  
4   equity members of both Spring Island and Callawassie  
5   at a time when the amenities on Spring weren't built  
6   out. There might've been a couple of those.

7           Q.    Back to the rules for just a second that  
8   we were looking at before we move on. Are you aware  
9   of any discussions about changing in that 13.3.1 from  
10  shall to may?

11          A.    No.

12          Q.    Do you know who was behind making that  
13  change?

14          A.    No, I would be speculating. When I came  
15  on the board in 2009, it said shall.

16          Q.    It said shall?

17          A.    Yeah, the rules of 2009, at least the ones  
18  that I saw published say shall. And it's never made  
19  personally sense to me when you go to 14 and you talk  
20  about discipline which includes failure to pay  
21  membership contribution dues, that one says may and  
22  the other says shall.

23          Q.    Going to what you're just talking about,  
24  14.1 section, the expulsion category 14.1.5, is that  
25  the policy -- do you know if that policy has been

1 changed with regard to how expelled members or the  
2 rights and the eligibility for membership is handled  
3 currently?

4 A. No, as I've told you, I've never known of  
5 anyone that was expelled personally.

6 Q. Has anybody's conduct ever had them  
7 expelled? Are you familiar with anybody?

8 A. Not to my knowledge. If it got to that  
9 level, I doubt if it would be publicly announced  
10 other than they're no longer a member.

11 Q. You're not aware of that ever happening?

12 A. I'm aware of suspensions for behavior, not  
13 expulsion.

14 Q. 14.1.4 talks about termination. If I'm  
15 reading this right, the board of directors made by  
16 two-third vote, the directors present request the  
17 resignation of any member of the club for cause  
18 deemed sufficient to the board. If the member does  
19 not resign at the request of the board, the member  
20 may be expelled by the board.

21 Are you familiar with anybody being  
22 requested to resign?

23 A. No. Resigned to me would be you're no  
24 longer -- if you will, your membership for the plan  
25 resignation means you go on the resale list. The

1 fact that the member doesn't respond leads to  
2 expulsion. To me, expulsion is an extension of  
3 termination, but I'm not a lawyer.

4 Q. They're defined differently; termination,  
5 expulsion --

6 MR. HAIGHT: Object to the form.

7 BY MR. McDANIEL:

8 Q. -- in this document; correct?

9 MR. HUGHES: Object to the form.

10 THE WITNESS: They're split out.

11 MR. McDANIEL: Probably a good place to  
12 stop.

13 (A luncheon recess transpired from 12:17  
14 p.m. until 1:16 p.m.)

15 BY MR. McDANIEL:

16 Q. I want to ask you about how memberships  
17 can be transferred or sold during the time when you  
18 were on the board and any changes that has occurred  
19 that you know of, whether you're on the board or not.

20 From the earliest time of your membership  
21 on the board what, if any, restrictions are you aware  
22 of with regard to members selling their membership?  
23 How would that occur if they found a buyer for their  
24 membership and want to sell it?

25 A. The process, as I understand it now -- I'm

1 not too sure the restrictions or the rules have  
2 changed -- is if you are selling your membership,  
3 there are two vehicles; one of which is in concert  
4 with your land.

5           Since December 2001, a new buying property  
6 owner would have to become a member per covenant  
7 change. You basically make it a condition of the  
8 sale. I want to sell my house with my membership.  
9 And the total package price for both is determined  
10 and the check -- the club gets a check for the equity  
11 contribution, let's say, golf is \$15,000. And  
12 assuming no dues or anything in arrears, since the  
13 equity change of two years ago I guess, the selling  
14 member gets \$5,000 back. And the club retains  
15 \$10,000.

16           Q. Prior to that, what was the amount they  
17 would get back?

18           A. Prior to that, they would get back 20  
19 percent of the market value of the equity or whatever  
20 they paid for, whichever was greater. That's my  
21 recollection.

22           Q. If they paid \$45,000 for it, and prior to  
23 the change, they would get at least that much back  
24 when it's sold?

25           A. Yeah, one of the reasons we went through

1     that process, the extended process of neighborhood  
2     meetings, et cetera, et cetera, we all realized we  
3     needed to change our perception in the marketplace.  
4     There was a considerable number of members who had  
5     paid \$45,000 for their membership and would've gotten  
6     all \$45,000 back. We had to make sure they were  
7     supportive of the equity change.

8             If they had paid -- my case, I paid in  
9     1991 significantly less than that. Under the old  
10    rules I would've gotten back 20 percent of 45,000  
11    back -- excuse me -- 80 percent of 45,000.

12            Q.   Those members that paid \$45,000 equity  
13    membership at the time, now under the new system they  
14    get how much back?

15            A.   15.

16            Q.   15,000 back?

17            A.   Excuse me. They get back five. 5,000.

18            15 is the contribution from the transaction. And  
19            then five goes back to the selling member. Once that  
20            transaction is complete in the future, the 15,000 is  
21            a nonrefundable contribution. We're staging our way.

22            Q.   Do you have an idea how many members paid  
23            \$45,000 for their membership?

24            A.   I do not. I could venture a guess.  
25            Somebody has those numbers.

1           Q.    Did you require that those members or did  
2   the board require that the members that paid \$45,000  
3   specifically approve that, or was it done by  
4   majority? What type of vote was it that approved?

5           A.    I think it was done by majority. I only  
6   remember one ballot.

7           Q.    Do you know of any members that paid  
8   \$45,000 who voted against the reduction of their  
9   equity?

10          A.    I'm sure there must've been some. I don't  
11   know them personally. That entire process was  
12   followed per opinion from our counsel; the education,  
13   the ballot, everything. Because of the complexity of  
14   the situation.

15          Q.    How much was the total that the club  
16   benefited by making that change? And what would be  
17   owed to the members, do you know?

18          A.    I don't know, but it's not a significantly  
19   different change because the benefit really was,  
20   hopefully, increased real estate sales.

21          Q.    As to each member they now --

22          A.    The net to the club -- I think you're  
23   asking me, the selling member, obviously, with the  
24   production may feel he lost some equity.

25          Q.    He has lost some equity; right?



1 A. Perceived.

2 Q. He was owed 40,000 and now gets 5,000.

3 How is that perceived?

4 A. If I can sell my house and my membership  
5 for \$325,000, it doesn't really matter whether the  
6 internal arithmetic is 45 or not. I understand some  
7 people perceive it differently.

8 One of the problems that we were having,  
9 the total package was going to have to be discounted  
10 for people to sell just because of market conditions.

11 Q. To benefit the landowners who also own  
12 memberships?

13 MR. HAIGHT: Object to the form.

14 THE WITNESS: They're one and the same.

15 BY MR. McDANIEL:

16 Q. No, they're not one and the same. There  
17 are people who don't own land, but own memberships,  
18 are there not?

19 A. Minimal.

20 Q. There are people who own membership who  
21 don't own land.

22 A. Try that again.

23 Q. I'm trying to make clear. You have  
24 members in the club who don't own property on  
25 Callawassie Island; correct?

1 A. To my knowledge, handful.

2 Q. The answer is: Yes, there are some; is  
3 that right?

4 A. Some. Some are not equity owners.

5 Q. Some are equity owners?

6 A. Yes, sir.

7 Q. The connection you're making with the  
8 property doesn't apply to all the members; correct?  
9 The analysis you're making.

10 A. Well, 98 percent of them or 99.

11 Q. It's not a requirement at this point that  
12 you have to purchase property to purchase a  
13 membership in the club?

14 A. No, as I said earlier, you know, a  
15 nonresident could purchase a membership in the club  
16 if that nonresident was -- if I were that  
17 nonresident, I would purchase a nonequity  
18 participation. I would still be a member, but I  
19 wouldn't be liable for capital. I could leave after  
20 a year.

21 Q. If a member of the club who also owned  
22 property sold their home and they owned a golf equity  
23 membership and the purchaser purchases a social  
24 membership, how would that work?

25 A. The golf member would have to put their

1 membership on the resale list at the very bottom.

2 And he would be liable, he or she would be liable for  
3 dues and fees until that membership was sold, if they  
4 wanted to put themselves at risk for that kind of  
5 transaction.

6 Q. Are you aware of that happening or that  
7 transaction actually happened?

8 A. I'm not aware of it, no.

9 Q. If they did, they wouldn't be, in your  
10 opinion, relieved of their obligations under the golf  
11 membership?

12 A. No.

13 Q. Until it was resolved?

14 A. Until it was reissued to a new member.

15 Q. If two members want to swap membership,  
16 one has a golf, one has a social, are there any  
17 restrictions or penalties associated with that?

18 A. No, I believe there are two methods by  
19 which you can do that. One is temporary. I'll have  
20 to refer to it in the membership plan.

21 The other is a permanent exchange. The  
22 permanent exchange has an administrative fee, maybe  
23 it's 250 bucks. I'm not sure. It's nominal. The  
24 membership director keeps a list of those people who  
25 have expressed to her interest in exchanging their

1 membership, social for golf, or golf for social.

2 Q. Are you aware of any requirement that  
3 either of the swapping members have held the  
4 membership or been residents of Callawassie for any  
5 period of time?

6 A. There was a change made by the board that,  
7 one, changed the process of swap to one not requiring  
8 a transfer fee, which would have been \$9,000 or  
9 something like that, and waive the period of time  
10 that you had been a member to allow an exchange.

11 And then we also at the same time changed  
12 the procedure by which you could upgrade from social  
13 to golf, one of which that you had to pay the full  
14 value of the golf -- the old procedure was to pay the  
15 full value of the golf and then put the social on the  
16 resale list. That was just too complicated, and it  
17 would've meant for a while the new golf member would  
18 be out the combination of both memberships. Now  
19 you're allowed to upgrade from social to golf for  
20 just the differential in the equity.

21 Q. Do you know when the change you're talking  
22 about, particularly with regard to the waived period  
23 of time --

24 A. They were all done at the same time. My  
25 guess would be that was in late 2009.

1 Q. Is that while you were on the board?

2 A. Yes, sir.

3 Q. What was the impetus to make that  
4 particular change with the swaps regarding the  
5 transfer of fee?

6 A. It had become just too cumbersome an  
7 operation one; to require somebody to upgrade by two  
8 members, basic buy two and a way to get back their  
9 money.

10 Two, one of the things that many of the  
11 members have asked for is this ability to at least  
12 have some opportunity to adjust their lifestyle as  
13 they get older; maybe they can't play golf. And are  
14 certainly willing to exchange memberships for lesser  
15 fees. And the fact it's kind of a waste to play golf  
16 if you can't. It was to try to make that easier.

17 Q. Do you know the time frame or period of  
18 time that members had to be members before it was  
19 changed?

20 A. I don't recall at all; if it was three  
21 years or five years. I don't recall.

22 Q. Do you remember what changes -- you said  
23 at one point the transfer fee was \$9,000?

24 A. Whatever the exchange was. I think there  
25 was a transfer fee involved.

1 Q. That was done away with?

2 A. Yes.

3 Q. In 2009?

4 A. Yeah, my recollection, it was replaced by  
5 the administrative fee.

6 Q. How much is that?

7 A. I think it's \$250.

8 Q. Let me go back to the early days of the  
9 club, when the club itself was formed as far as not  
10 the developer's side of it but the members club. You  
11 said that occurred in '98?

12 A. No, sir, let's take it in pieces. The  
13 corporation was formed in '99.

14 Q. What's the name of the corporation?

15 A. Callawassie Island Members Club.

16 Q. Who headed that up, do you know? Who  
17 decided to form that corporation?

18 A. There was a group of members who formed a  
19 transition committee to look at the transfer of  
20 assets and to try to lay out a plan to effect that  
21 transfer. We already had a purchase agreement in  
22 place.

23 Q. And the transition committee you were  
24 talking about is a committee under what? Just a  
25 group of?

1           A.   Group of members who tried to get together  
2   and lay out all the issues, the time lines.

3           Q.   These weren't elected to that position by  
4   the community?

5           A.   I can't remember whether it was before or  
6   after the '98 election. I'm sure -- I know there was  
7   discussion before that on an informal basis.

8           Q.   I'm just trying to go back to the  
9   beginning. When did the members become -- what was  
10   the transition for the actual governing persons from  
11   the developer to the members? Was this something the  
12   developer had started, or was this something that  
13   members created on their own and came to the  
14   developer?

15          A.   Under the original purchase agreement,  
16   there was a group of elected members called the  
17   advisory board of governors. That group, I think,  
18   set up a transition planning committee. And the  
19   recommendations of that transition planning committee  
20   led to the incorporation of the Callawassie Island  
21   Members Club. I don't remember exactly when that was  
22   voted upon by the members, but it had to be in the  
23   '98 time frame, somewhere in there.

24          Q.   Is it possible the members didn't vote on  
25   it?

1           A.    My recollection is they did.  It wasn't a  
2   vigilante group that said:  Let's take over the  
3   developer.

4           Q.    I didn't know if it was maybe the  
5   developer himself setting this up.

6           A.    No, the developer was willing to support  
7   it and recommended it.  And at one point in time, the  
8   developer actually put into our bill a billable line  
9   item that allowed us to build some cash to seek legal  
10  advice, be able to pay our own independent counsel if  
11  we needed to.  He offered the capability to collect  
12  the money for us.  That's a long time ago.

13          Q.    Been a while.

14                So the Callawassie Island Members Club, to  
15  the best of your recollection, came to own the assets  
16  of the Callawassie Island Club when?

17          A.    In June of 2001.  And that transaction  
18  took place based on the renegotiated purchase  
19  agreement of 1999.  Callawassie Island Members Club  
20  existed from about 1998 or '99, but it didn't have  
21  the assets of the club until 2001.

22          Q.    And did the assets include the membership?

23          A.    No.

24          Q.    So the members were no longer part --  
25  which club were they part of in 1999?



1           A.    They were still part of the Callawassie  
2   Island Club as owned by the developer.  In 2001 or  
3   thereabouts, when the asset transfer took place, each  
4   member was reissued a new certificate in the name of  
5   the Callawassie Island Members Club.  The unissued  
6   memberships, the proceeds from their sale was still  
7   due to -- the proceeds due to the developer because  
8   that was part of the purchase agreement.

9           The purchase price of the Callawassie  
10  Island Members Club was the sum of all initially  
11  issued memberships plus the payment of the \$2 million  
12  mortgage was approved by members in 1991 or so or '90  
13  and the value of inventory at the time of the  
14  transfer.

15          Q.    The transfer of memberships didn't include  
16  the unsold memberships; those stayed with the  
17  developer in 2001?

18          A.    The developer's right to the proceeds of  
19  those stayed.  The certificates, if you will, were  
20  treasury stock of the newly formed Callawassie  
21  Members Club.  If they were sold, the proceeds were  
22  due to the developer as part of the purchase price.

23          Q.    Was there any agreement by the members  
24  once they agreed to be part of the Callawassie  
25  Members Club?

1           A.    I'm sorry.

2           Q.    Is there any agreement by the Callawassie  
3   Island Club Members by which they were required to  
4   sign saying they agreed to be members of the  
5   Callawassie Island Members Club?

6           A.    They received a membership. They voted  
7   for the transfer and the creation. And they would  
8   have paid the assessment that went along with the  
9   purchase of the club.

10          Q.    They voted for the transfer of the assets  
11   to the Callawassie Island Members Club when they were  
12   members of the Callawassie Island Club; is that what  
13   you're referring to?

14          A.    I think the way the Callawassie Island  
15   Members Club was formed, all individuals owning  
16   membership, currently owning membership became  
17   members of the Callawassie Island Club. We had to  
18   have some constituency. You'd have to go all the way  
19   back in the corporation. I don't remember that.

20          Q.    I'm just wondering how the members agreed  
21   that they were no longer members of the Callawassie  
22   Island Club, but they were now members of the  
23   Callawassie Island Members Club?

24          A.    They voted for the asset transfer as part  
25   of the purchase agreement. It was effected in 2001.

1 At that point in time, the membership certificate was  
2 reissued in the name of the Callawassie Island  
3 Members Club. They accepted that somewhere in 2003.

4 Q. When you say they accepted it, what do you  
5 mean?

6 A. They got it as a piece of paper like a  
7 piece of stock.

8 Q. There was no formal acceptance?

9 MR. HAIGHT: Object to the form.

10 THE WITNESS: I really don't understand  
11 the question.

12 BY MR. McDANIEL:

13 Q. You say it was accepted. You mean it was  
14 mailed to them.

15 MR. HAIGHT: Object, again, to the form.  
16 You're not testifying here.

17 MR. McDANIEL: No, I'm asking him the  
18 question.

19 THE WITNESS: I really don't recall  
20 whether I signed a form or not. We all initially  
21 signed an application. I don't know if we had to  
22 re-sign a new one in the Callawassie Island Members  
23 Club.

24 BY MR. McDANIEL:

25 Q. Again, when you use the term they accepted

1       this membership, you're not saying -- let me ask you.

2       What do you mean by accepted?

3             A.    Well, I didn't throw it back.

4             Q.    You accepted it?

5             A.    Well, they didn't throw it back. And they  
6       paid for the final purchase. I think -- I don't  
7       quite understand what you're asking for. If you go  
8       back to the lawyers at the time, maybe they'll  
9       remember the process better than I do.

10            Q.    I understand if you don't recall what it  
11       is. When you used the term they accepted, that sort  
12       of implies --

13            A.    I was trying to respond to your question.  
14       If I misspoke --

15            Q.    Is that what you did, you misspoke?

16            A.    No, my memory is pretty vague as far as  
17       what you're asking.

18            Q.    That's a perfectly legitimate answer. I  
19       just want to make sure I understand when you say they  
20       accepted this.

21                    You don't have any memory of actual  
22       acceptance other than they would have been sent,  
23       mailed a certificate?

24                   MR. HAIGHT: Object to the form.

25                   THE WITNESS: This seems to be going in

1 circles. Let me say, if you want me to say, I don't  
2 remember all of that.

3 BY MR. McDANIEL:

4 Q. That's fine. At the time of the transfer,  
5 2001 period what, if anything, was done with regard  
6 to -- do you recall any discussions with the  
7 developer about arrangements he had made with any  
8 particular memberships that were outside the regular  
9 plan of governance, maybe, as written?

10 A. No, I do not personally, no.

11 Q. Do you recall any discussions on the board  
12 about those issues?

13 A. I don't recall.

14 Q. Were you aware of members paying dues or  
15 having arrangements with their dues that would've  
16 been different than what's laid out in the governing  
17 documents?

18 A. I wasn't aware of any of them.

19 Q. Since this litigation, have you become  
20 aware of that?

21 A. I have seen some correspondence that  
22 recognized that there may have been some treatment of  
23 nonresident or waiver of dues of second memberships,  
24 but I wasn't aware of them at the time, that I  
25 recall.

1           Q.    Let me ask you about the payment of  
2   resident versus nonresident dues that you mentioned.  
3   What's your understanding of -- let me just say from  
4   2001, in that time period 2001-2002, what was the  
5   obligation for members owning more than one  
6   membership, who lived on Callawassie or who were  
7   considered residents, as to payment of resident or  
8   nonresident dues on the multiple memberships?

9           A.    I would assume they followed the  
10  membership plan definition at the time which is, if  
11  you had a roof on Callawassie, you were a resident,  
12  or if you lived in the tri-county area for 90 days or  
13  more, I think it's 90 days or more, you were a  
14  resident.

15                If they had a second piece of property in  
16  membership, I don't think there was any  
17  differentization unless it was done by the company  
18  beforehand.

19           Q.    Are you aware of members making that  
20  contention? They were told they would not have to  
21  pay resident dues on second, third, additional  
22  memberships?

23           A.    I'm aware of, at least, that argument from  
24  the Aultons.

25           Q.    Are you aware from anybody else making

1       that claim?

2             A.    No, not that I recall.

3             Q.    Are you aware of anybody not paying dues  
4       on additional memberships, second, third, additional  
5       memberships where, if they paid dues on the first  
6       membership or prior membership, they didn't pay dues  
7       on the other ones?

8             A.    No.

9             Q.    Are you aware of any transfers of  
10       membership -- excuse me -- any sale of property -- I  
11       believe I asked you this; I want to make sure I  
12       have -- where the person sold their property, had a  
13       golf membership, the buyer of their property bought a  
14       social membership, and they did not have to continue  
15       to pay dues and fees on their membership?

16            A.    No, not that I can recall.

17            Q.    Are you aware of anybody purchasing a golf  
18       membership prior to this year when the membership  
19       price changed for amounts other than --

20                   MR. HAIGHT: Object to the form.

21       BY MR. McDANIEL:

22            Q.    -- \$45,000, the recent change?

23            A.    No.

24            Q.    How much did you purchase yours for, your  
25       golf membership, or do you have a golf membership?

1           A.    I have a golf membership that was  
2    purchased for \$12,500 in 1991.

3           Q.    Do you know when the purchase price  
4    changed from 12,500?

5           A.    I think at the time the purchase -- the  
6    advertised purchase price in '91 was 19,000. The  
7    developer either discounted lots or discounted  
8    memberships to incentivize sales. It changed over  
9    the years until it got to, I think it went from 31 to  
10   45 at one point in time. It progressed over the  
11   years.

12          Q.    After 2001, are you aware of anybody  
13   paying a price different, as you had; a discounted  
14   price for their membership?

15          A.    No, I mean, the advertised price was  
16   45,000. That became the basis of the transfer fees  
17   that would be given to the club.

18          Q.    After 2001, was the developer allowed to  
19   make discounted offers of the membership price?

20          A.    No, I mean, the transaction as far as the  
21   membership was at 45. Nor was he allowed to, you  
22   know, waive dues or any other fees on behalf of the  
23   members club.

24          Q.    When would that have been?

25          A.    June of 2001.



1           Q.    Was the developer still active in the  
2 governance of the club after June 2001?

3           A.    How do you mean?

4           Q.    Other than voting, did he have any part in  
5 the governance of the club?

6           MR. HAIGHT:   Object to the form.

7           THE WITNESS:   He had rights under the  
8 purchase agreement, but I don't remember that he was  
9 part of the governance process.   And under that  
10 purchase agreement, he would have rights in the  
11 mutual approval of the budget, and he would have  
12 rights relative to the mutual approval of equity  
13 fees.   There were a few other things outlined.

14 BY MR. McDANIEL:

15          Q.    Would he have been involved in the  
16 decision to change the price of the equity  
17 membership?

18          A.    Yes.

19          Q.    Who is the owner of the club?   Who's the  
20 current owner of the club?

21          A.    The Callawassie Island Members Club, and  
22 their shareholders are the members.

23          Q.    I just want to make sure.   I think you  
24 testified you don't know who changed the language in  
25 the rule that we looked at from shall to may?

1 A. (Witness nods head from side to side).

2 Q. That's a no?

3 A. No, I'm sorry.

4 Q. I just want to make sure on the record we  
5 know what your answer was.

6 Who would've been on the board during that  
7 period? Do you know that? Do you know who might  
8 know the answer to that question?

9 A. I mean -- well, first off, I think it  
10 would've been a board decision because the board  
11 amends the general rules. I don't know when it was  
12 amended.

13 Q. Do you know who was the board president in  
14 the two or three years before you?

15 A. Bob Deluca was board president from 2006  
16 to 2009. Did I get that right? I'm sorry, 2009 to  
17 2012. Karen Norwood was the board president the  
18 previous two years.

19 I came on the board 2009. And Bob had  
20 been reelected when I got on the board. He was the  
21 president for three years.

22 Q. Are you aware of anyone who sold their  
23 property, a member of the club who sold their  
24 property to someone who didn't purchase their  
25 membership -- let me ask you. Are you aware of that

1 situation ever happening?

2 A. Say that again.

3 Q. The person sells their property, and the  
4 buyer of the property doesn't purchase their  
5 membership.

6 A. The only one I might think of is  
7 Applegate. Somehow he managed to sell property with  
8 a social membership. I think the last name on the  
9 list is membership. I don't understand how it  
10 happened. I wasn't personally aware of it.

11 Q. Are you aware of Bill Hobson having that  
12 situation where he sold a property and the buyer  
13 didn't buy the membership?

14 A. Yes, prior to 2001, memberships weren't  
15 required.

16 Q. Do you know of others than Bill that were,  
17 prior to 2001, of that situation?

18 A. Yeah, there were several on the resale  
19 list when I came on the board in 2009. Some old,  
20 some very new.

21 Q. Can you name any of those several that  
22 you're talking about?

23 A. I'd have to look at the resale list.  
24 There was a Beauregard. Williams. Hobson. Marshal  
25 Field. I could look at the resale list.

1           Q.    I'll show you that in just a second.  Are  
2   you aware whether or not all those people were  
3   continued to be billed for those memberships after  
4   their names were placed on the resale list?

5           A.    Yes, to my knowledge they all were.  Some  
6   were paying, some were current, some were not.

7           Q.    Do you know if those people are still on  
8   the resale list?

9           A.    Some have conceded their membership based  
10   on an offer that was made by the board in late 2009,  
11   early 2010.

12          Q.    Tell me about that offer.  What was the  
13   offer that was made to those members?

14          A.    The offer was made for all memberships on  
15   the resale list that were unassociated with property.  
16   And the components of it were it was a one time  
17   offer.  It was for payment of one year -- the basics  
18   of one year's annual dues.  The fact that it was an  
19   individual confidential arrangement between those two  
20   parties and that was offered to every unassociated  
21   membership that we had at the time.  When I say  
22   unassociated membership, to which there wasn't an  
23   associated piece of property.  Hobson was one of  
24   those also, as a second membership as I recall.

25          Q.    When you say associated property, it's not

1 a particular piece of property. It's the fact they  
2 own property; correct?

3 A. Associated property in the sense the  
4 individual owned the membership and does not have a  
5 connectable or associated piece of property with it.  
6 They had sold their property, the case you asked me  
7 earlier, and the individual did not want to buy their  
8 membership. They went on the resale list and, you  
9 know, progressed up as you do in the three-to-one  
10 relationship.

11 Q. Was that different for persons who bought  
12 before the covenant change, the 2001 covenant change  
13 versus they bought property after?

14 A. I think practically, no. And I say that  
15 because the covenant change basically required you --  
16 after the covenant change, you were required to  
17 purchase a membership with the property and retained  
18 and were liable for that membership until the  
19 property was sold.

20 Q. Your understanding, the covenants  
21 required, even if someone bought before the covenant  
22 in '99, they bought the property --

23 MR. HAIGHT: Object to the form.

24 THE WITNESS: You asked me after 2001, I  
25 thought.

1 BY MR. McDANIEL:

2 Q. I think I was trying to -- let me finish  
3 the question.

4 Is it your understanding that someone who  
5 bought before the covenant change would be obligated  
6 by the covenants to maintain a membership with their  
7 property?

8 A. No, they're obligated by the membership  
9 plan, I believe.

10 Q. You would agree that the covenants did not  
11 require members who purchased before --

12 A. It wasn't applicable to them.

13 Q. The covenants are not?

14 A. The covenants are applicable to everybody.  
15 The requirement to purchase property and a membership  
16 at the same time was 12/1/2001.

17 Prior to that, there was not a requirement  
18 to purchase a membership. There was a requirement to  
19 remain current with that membership as long as that  
20 membership remained either in their possession or was  
21 placed on the resale list until reissued.

22 Q. Was it connected to the property prior to  
23 2001?

24 A. No.

25 Q. I just want to make sure we're clear.

1 That's my question. If someone such as Hobson bought  
2 property in '96, '97 -- I'm not saying he did --  
3 prior to 2001, I'm wondering about the offer that was  
4 made to these folks that you talked about it being  
5 associated with the property. I'm wondering, if they  
6 purchased property before the covenants, wouldn't  
7 that be not associated with their membership?

8 MR. HAIGHT: Object to the form.

9 THE WITNESS: I'm getting confused. The  
10 association the board was concerned about was that  
11 there may have been, for the most part, people prior  
12 to 12/1/2001 who, because there was not a requirement  
13 were in a queue to sell their membership. The  
14 probability for that person to sell that membership  
15 just based on their position and the resale list  
16 varied by their position.

17 And we thought it would be appropriate to  
18 offer once more -- not once more -- to offer an  
19 opportunity to relieve themselves of the dues  
20 obligation, given the fact that it could be a long  
21 term situation. Some might've been more probable to  
22 sell it than others. But the discussion was, if we  
23 do it for one, we should do it for all and pay the  
24 list or claim the list.

25 Q. Why? Why is that offer being made to

1       those members?

2               A.    The concern on some of the members down  
3       the list, the people that were paying in good faith  
4       that, based on the turnover of the island, the  
5       probability that membership would ever get to the top  
6       was very minimal. And the discussion was that we  
7       felt it was the right and proper thing to do to let  
8       everyone know of their position and give them an  
9       opportunity to accept that offer.

10              Q.    How many offers like that were sent out,  
11       to your knowledge?

12              A.    Maybe six or seven.

13              Q.    What was the discussion as to why that  
14       would be confidential?

15              A.    Because we may arrive at slightly  
16       different solutions based on position in the list.

17              Q.    I don't understand.

18              A.    We may arrive at slightly different  
19       resolutions relative to the amount of dues paid.  
20       Some were long. It was the advice of at least one  
21       member on the board that, that would be confidential.

22              Q.    Was releasing those members, in your  
23       opinion, to the benefit of the club?

24              A.    In my opinion, yes.

25              Q.    How so?



1           A.    It eliminated the risk that there were  
2   some people down the line that may have felt that  
3   they were paying dues with no probability or no  
4   possibility to get back. That would only create bad  
5   debt in the future in an unknown situation.

6                    It would also fundamentally get us to a  
7   point that, for every piece of property, there was at  
8   least a membership attached to it rather than go  
9   through, you know, kind of a confusing situation.  
10   Since we made the covenant change in 2001, it  
11   basically achieved almost a one-to-one relationship  
12   with membership and property.

13           Q.    Was that offer made to people whose  
14   membership were not on the resale list at the time  
15   but in a similar situation?

16           A.    I'm not aware of it.

17           Q.    Was there any discussion about informing  
18   those members of that option?

19           A.    I think we informed everyone that had a  
20   membership without property.

21           Q.    You think the offer was made to folks  
22   whether they were on the resale list or not?

23           A.    Yeah, I think so.

24           Q.    Are you familiar with Jackie Leffers?

25           A.    I know the name.

1           Q.    Do you know if any agreement was made with  
2   her with regard to her membership in the club?

3           A.    No.  I know -- well, I know her husband  
4   died years ago.  She's long gone.  I think in  
5   Florida.  We continued, to my knowledge -- she  
6   continued to be billed.  And she was a name that I  
7   believe was offered that offer.

8           Q.    The offer that we just discussed?

9           A.    Yes.

10          Q.    She was one of the folks that was made  
11   that?

12          A.    Yeah.

13          Q.    Are you familiar with her attorney coming  
14   and making an argument on her behalf, or do you think  
15   the offer was just mailed to her like all the other  
16   offers?

17          A.    I'm aware of her neighbor, Jack Castle,  
18   trying to, if you will, be an intermediary in her  
19   behalf with her general manager.

20          Q.    Who was the general manager?

21          A.    Brian Lasota.

22          Q.    Was it as a result of his interactions of  
23   Brian Lasota that an agreement was reached with  
24   Ms. Leffers?

25          A.    No, let me say I think it was part of his

1 involvement that consummated the agreement in the  
2 sense -- I don't know the health condition of  
3 Ms. Leffers -- when we asked Jack to please make sure  
4 she understood.

5 Q. Understood what? I don't understand.

6 A. Understood the offer.

7 Q. Was the offer that you're discussing, was  
8 that relayed to all the members at relatively the  
9 same time period?

10 A. My understanding, yes.

11 Q. How was it sent to them or relayed to  
12 them?

13 A. General manager, I believe, contacted them  
14 or sent them a follow-up note that was supposed to.

15 Q. That was Brian Lasota?

16 A. Yes, sir.

17 Q. He was instructed by the board to make  
18 that offer?

19 A. He was authorized by the board to make the  
20 offer to members connected to unassociated property.

21 Q. Was he ever instructed, to your knowledge,  
22 to make any other offers to resolve membership with  
23 either conceding or resigning members?

24 A. No, the authorization was for unassociated  
25 property. He may have had discussions with

1 delinquent members as part of the receivables  
2 management.

3 Q. I believe it was not, you tell me. From  
4 your testimony earlier, it was a confidential deal.  
5 Was it publicized to the general membership in any  
6 way, that offer?

7 A. I don't recall. If it would be, it  
8 might've been in the minutes.

9 Q. You don't recall?

10 A. No, I don't.

11 Q. Are you aware of anybody recently  
12 purchasing a golf membership for something other than  
13 \$15,000?

14 A. No.

15 Q. Would there be any basis for someone in  
16 the last two years --

17 MR. HAIGHT: Object to the form.

18 BY MR. McDANIEL:

19 Q. -- to purchase a membership for \$9,000?

20 A. No. Let's make sure we understand. The  
21 negotiations between buyer and seller may have words  
22 like, I'll pay you your dues, I'll throw in my  
23 membership as though it's zero. The receipt of all  
24 monies associated with that transaction are based on  
25 the 45 or the 15. And so, I think sometimes there's

1 confusion that somebody said, well, I only paid  
2 \$9,000.

3 Let me say, the buyer may have only paid  
4 9,000 but the seller then also had to pay six.

5 Q. The club would never receive -- would not  
6 in that case receive less than the full price?

7 A. That's correct.

8 Q. Whether it came from the buyer or the  
9 seller?

10 A. Yeah.

11 Q. Is it correct the buyer is actually buying  
12 his membership from the club?

13 A. It's reissued through the club.

14 Q. Is the buyer purchasing it from the club,  
15 or is he purchasing it from the other member?

16 A. I'm not a lawyer. Here's the way I  
17 understand it. The buyer is purchasing a club  
18 membership from the club. He sends in -- we get a  
19 check for \$15,000. That is the reissued membership  
20 from the individual that's selling it. If there's  
21 any proceeds that are due back to the seller, that  
22 comes from the club, too. It happens simultaneously,  
23 that closing.

24 Q. The way that the governing documents are  
25 set up, technically, the transfer is with the club?

1           A.   That's correct. I turn my membership back  
2   in, it's resold from the club or reissued from the  
3   club.

4           Q.   Anytime there's a transfer of a  
5   membership, it has to go through the club first?

6           A.   Yes.

7           Q.   Are you familiar with Bill Hawkins?

8           A.   Yeah.

9           Q.   Who is Bill Hawkins?

10          A.   Bill Hawkins was a member from probably  
11   the late '90s through whenever he left Callawassie.  
12   He was part of the transition committee. He was a  
13   board member, and I'll call it the class of 1998,  
14   with me and several others and later became president  
15   of the club.

16               And after the resignation of our first  
17   general manager, was actually acting general manager  
18   for a period of time before we hired a replacement.

19          Q.   Were you on the board when he was hired as  
20   the acting general manager?

21          A.   No. No, I was not. The original general  
22   manager resigned after I left the board.

23          Q.   Who was responsible for hiring Bill  
24   Hawkins as the acting general manager?

25          A.   It would've been the board at the time.

1           Q.   Do you know who that was?  Who the  
2 president was?

3           A.   I would have to take a guess.  It might've  
4 been Terry Wortsparker.

5           Q.   Do you know how much Bill Hawkins was paid  
6 as acting general manager?

7           A.   No, I don't.

8           Q.   What happened to Bill Hawkins after that?

9           A.   He lives in Palm Beach, Florida.  He went  
10 back to be close to his children or his wife's  
11 children.

12          Q.   Did he sell his property?

13          A.   I believe he sold all of his properties  
14 that he owned in Callawassie.

15          Q.   Are you aware of whether or not his  
16 memberships were sold at the time he sold his  
17 property?

18          A.   I'm aware he had multiple properties,  
19 including a house.  I do not know if he had multiple  
20 memberships.  He could have purchased the memberships  
21 at a time when you did not have to buy a membership,  
22 whatever.  You would have to talk to Hawks, Bill  
23 Hawkins about that.

24          Q.   I wanted to see if you knew.  In one of  
25 the earlier depositions with Ellen Padgett, there was

1     some discussion about she had raised concerns that he  
2     would walk away from the membership and asked  
3     Blaisdell about it and didn't get an answer. I  
4     didn't know if you had.

5           A.    Bill and I became very good friends. I  
6     know Bill had multiple properties that he invested in  
7     on Callawassie and one home. Given that you could  
8     transfer memberships, he only had, to my knowledge,  
9     one. Somewhere in the ultimate transaction, that  
10    golf membership was kept current and paid. You would  
11    have to confirm that with Hawk.

12          Q.    Do you know what time that he sold?

13          A.    I really don't. It was maybe 2004, '5,  
14    '6. I don't remember.

15          Q.    Anywhere in that period, was there any  
16    provision that you know of in the club where, if he  
17    sold his property and the purchaser bought a  
18    membership different than the type he had, I believe  
19    he had a golf membership and the purchaser bought a  
20    social membership, do you know of any provisions in  
21    the rules that would allow him putting his golf  
22    membership on the resale list?

23          A.    He would've probably -- no, I don't.  
24    Since he may have been still living here or wanting  
25    to use the club, he could have transferred it to



1 another piece of property.

2 Q. He could still be a member in that case?

3 A. Uh-huh.

4 Q. Do you know if he's still a member?

5 A. I don't believe so. The last time I saw  
6 him, I thought he told me he was free and clear of  
7 all connection to Callawassie.

8 Q. Did he discuss with you how he got free  
9 and clear of his membership?

10 A. No.

11 Q. Do you have any information that he  
12 transferred it to one of his other properties?

13 A. No.

14 Q. Any knowledge that actually happened?

15 A. No, I mean, I could only presume.

16 Q. I just want to make sure.

17 A. That's correct.

18 Q. You were speculating that might be the  
19 case?

20 A. Yeah, I don't know for sure.

21 Q. Are you aware of any board members, former  
22 board members getting any deals that were not offered  
23 to other club members?

24 A. No.

25 Q. At that point when he left -- strike that.

1                   What's the club policy with regard to  
2     filing suit against delinquent members? How do they  
3     choose which delinquent members to sue?

4                   A.    It's an option that we have based on the  
5     knowledge of the case.

6                   Q.    Is there any criteria by which the club  
7     makes that decision?

8                   A.    Nothing more than a decent business  
9     judgement. We try to be as consistent as we can.

10                  Q.    Are you aware of other delinquent members  
11     who have not been sued?

12                  A.    There may be some. They should be in the  
13     process to be.

14                  Q.    Is the board's current position that  
15     they're going to file suit against all delinquents  
16     members?

17                  A.    That's certainly the approach we're taking  
18     to be consistent with everything. Whether or not all  
19     of that happens, there's other resolutions, I don't  
20     know.

21                  Q.    Is there any discussion at this point  
22     amongst the board as to coming up with the  
23     resolutions that might allow members to resolve  
24     delinquencies?

25                  A.    I'm sorry. Come up with resolutions?

1           Q.   Is there discussions amongst the board  
2   that might help resolve delinquencies, lawsuits, that  
3   type of thing that are going on?

4           A.   I don't believe -- we're certainly open to  
5   discussion of settlement. Given the current  
6   environment with all the countersuits and everything  
7   else, to try to show any kind of differentiation of  
8   treatment which is what I think you're getting at,  
9   we've tried to be as consistent as we can with the  
10   process of 60-90, and then follow suit.

11               And we've also discussed taking other  
12   avenues maybe sooner like magistrate maybe rather  
13   than let some of these things go on. To my  
14   knowledge, I haven't. Rick may know better. We  
15   authorized the general manager to work with  
16   Mr. Haight and the CFO to entertain discussion.

17           Q.   Do you know at this point the amount of  
18   the attorney's fees that have been spent in the  
19   collection and defense of the suit action?

20           A.   I think the number over two years is --  
21   I'm guessing. I don't think I'm too far off -- about  
22   \$70,000; \$40,000 of which is the DNO cost to handle  
23   countersuits. We had \$20,000 deductible.

24           Q.   I guess the question I asked: Are you  
25   aware of any proposals on the board at this point to

1 offer members ways to resolve these delinquencies or  
2 resign their memberships in a way that would change  
3 the current rules?

4 A. We have always said and continue to work  
5 with people on potential payment plans. If you're  
6 talking about a resolution, the rules of that are  
7 fairly simple. The general manager's discretion on  
8 two points; one, the delinquent member must remain  
9 current going forward and, two, that the pay-down of  
10 past delinquent amounts is in a reasonable period of  
11 time, not necessarily to exceed a year or two based  
12 but generally.

13 Q. Are there any more discussions about  
14 allowing owners to resign with sort of the agreement  
15 that was made --

16 A. No.

17 Q. -- in 2010?

18 A. No, because I think the position of the  
19 resale list with membership associated with property  
20 and all those members who have purchased since  
21 12/1/2001, we have positioned ourselves such that  
22 mismatch won't really happen again.

23 Q. You do have club members who purchased  
24 their property prior to 2001, don't you?

25 A. With membership.

1 Q. They have a membership. They purchased  
2 their property prior to 2001?

3 A. That's correct.

4 Q. Are you aware of members who have  
5 memberships not associated with property such as the  
6 Aultons?

7 MR. HAIGHT: Object to the form.

8 THE WITNESS: I think the Aultons have  
9 three memberships and three pieces of property.

10 BY MR. McDANIEL:

11 Q. If two of those properties had been sold  
12 and retitled in a tax sale, they no longer own them,  
13 would they be able, under your understanding of the  
14 rules, to receive an offer to try to resolve those  
15 memberships?

16 A. Let me see if I've got you. The Aultons  
17 or similar people who go to tax sale or whatever, two  
18 things; they still are liable, responsible for the  
19 amount owed to the club and will continue to pursue  
20 payment of that. The purchaser of the property at  
21 the tax sale should have been informed or aware that  
22 they're buying that property subject to conditions in  
23 the covenants of the property. We inform them of  
24 their obligation to purchase membership.

25 Q. Are you aware of the club ever taking any

1 legal action to require somebody to purchase a  
2 membership?

3 A. I don't know if we've taken legal action.  
4 I do believe we have informed the purchaser of their  
5 obligations.

6 Q. You're not aware of the club ever  
7 enforcing that by a lawsuit?

8 A. I'm not aware of that.

9 Q. Are you aware of the property owner  
10 association ever suing any property owner, trying to  
11 require them to purchase membership?

12 A. No, I think the transaction wouldn't go  
13 through.

14 Q. I understand your position, I guess, that  
15 the rules require the Aultons to continue to be  
16 liable for those dues, fees and assessments.

17 In the situation hypothetically -- they  
18 have allege that they don't own two of the properties  
19 anymore. If that is true, would it be the board --  
20 would it be within the board's course to allow them  
21 to resign those memberships and/or make an offer like  
22 was made to the previous nonproperty owners?

23 MR. HAIGHT: Object to the form.

24 MR. HUGHES: Object to the form.

25 THE WITNESS: I don't think that policy

1 extends to that level. I haven't thought of that. I  
2 actually have to take that to the board. What, in  
3 essence, you're saying, a delinquent allows his  
4 property to be dismissed through tax sale and then  
5 that somehow relieves him of the obligation to pay  
6 his past arrearages.

7 BY MR. McDANIEL:

8 Q. That's not what I'm saying at all. What  
9 I'm saying, in a situation where a person can no  
10 longer make their payments, they lose it at a tax  
11 sale, the property gets turned over to somebody else,  
12 is there a difference with how the board, how the  
13 governing documents would treat them versus when they  
14 previously owned the property?

15 MR. HUGHES: Object to the form.

16 THE WITNESS: I think we're saying the  
17 same thing. You just want to say it in a different  
18 way. I think the responsibility -- they still have  
19 the debt to the club. And I think you're saying:  
20 Well, the fact that they no longer have the property,  
21 does that make us look at them any differently? I  
22 don't know. We would have to work it out.

23 BY MR. McDANIEL:

24 Q. The answer is: You don't know. You would  
25 have to talk to the board about it?

1           A.    Yeah, I point out that certainly  
2           consideration would be, if that happened to create  
3           the situation, that somehow there would be some new  
4           relief, I'd have to, again, have to talk to the  
5           board.

6           Q.    Are you aware of many properties on  
7           Callawassie Island going to tax sale?

8           A.    I've heard about it. I couldn't give you  
9           a number, yeah.

10          Q.    Are you aware of foreclosures on the  
11          properties?

12          A.    Yes.

13          Q.    How many properties are you aware of have  
14          been foreclosed on?

15          A.    Handful.

16          Q.    Are you aware of banks subsequently owning  
17          those properties?

18          A.    Yes.

19          Q.    Did the banks become dues-paying members?

20          A.    Yes, they're obligated, yeah, and purchase  
21          the membership.

22          Q.    Are they, in fact, the banks in those  
23          situations, are they, in fact, paying the dues and  
24          fees?

25          A.    Some have and some haven't. Some will



1       argue not. We have discussions with them.

2               Q.    Have you sued those banks?

3               A.    I don't know if we have sued. I'm not  
4 directly involved in the suit process. I know we've  
5 had contact with them and expressed our opinion.

6               Q.    Would those banks be treated differently  
7 than the other members with regard to whether or not  
8 they would be sued?

9               A.    Again, it goes back to the business  
10 judgment.

11              Q.    When there is an issue that materially  
12 adversely affects a member or a class of members,  
13 what is your understanding that is required, the  
14 percentage voting requirement, to make a change of  
15 that type?

16              A.    I don't know. I'd have to look at the  
17 files or the membership plan.

18              Q.    Specifically with regard to special  
19 assessments, are you aware of whether or not they  
20 require a majority approval?

21              A.    I think so.

22              Q.    What constitutes a majority approval?

23              A.    I'd have to look at the language.

24              Q.    Fair enough.

25                    Are you familiar with the auction that

1 happened in, approximately, 2003 of club property?

2 A. I'm aware of it and some of the details,  
3 yeah.

4 Q. Did you attend that auction?

5 A. No, I did not.

6 Q. How did you become aware of the auction,  
7 first become aware of it?

8 A. I just heard it in the community that the  
9 developer was holding an auction to sell property.

10 Q. Do you know at that auction was there  
11 any -- was that done while you were still on the  
12 board?

13 A. No, if I remember right, it was December  
14 2003.

15 Q. Are you aware of whether or not the club  
16 had a representative at the auction?

17 A. No, I'm not aware. I mean, the auction  
18 was conducted by the developer that sold property  
19 that he owned.

20 Q. He was also selling memberships, wasn't  
21 he?

22 A. Absolutely. Well, let's try it another  
23 way. He was selling property, and it was a  
24 requirement to buy a membership with the property.  
25 In terms of the purchase of membership, that would've

1       been in the three-to-one resale list.

2               Q.    That occurred on Callawassie Island, the  
3       auction did; is that right?

4               A.    I don't know.  It could've been on Spring  
5       or at the sales office.  I really don't know.

6               Q.    And the sales office isn't on the island?

7               A.    No.

8               Q.    This is before you cross over to the  
9       island?

10              A.    Before the gatehouse, which was property  
11       he owned at the time.

12              Q.    The developer?

13              A.    Yeah, the developer.

14              Q.    Who is responsible for billing members  
15       when you were on the board in '98 to 2001?

16              A.    Well, it was a contracted service.  We got  
17       financial services and HR services either through the  
18       Callawassie Island Company, which has now evolved  
19       into Phoenix Financial.  Craig Simonson was an  
20       employee of Callawassie Island Company.  His staff  
21       served the developer connected or previously  
22       connected.

23              Q.    Did you sever that connection in 2001 when  
24       the members took over?

25              A.    No, we continued it under a service

1 agreement. I don't know where the service agreement  
2 is. We re-instituted that service agreement or a  
3 similar one with Phoenix Financial after the  
4 developer defaulted.

5 Q. In 2009?

6 A. '10.

7 Q. Was Phoenix Financial -- was that the name  
8 of it in 2001?

9 A. No, I think the Callawassie Island  
10 Company.

11 Q. The developer was basically handling the  
12 accounting?

13 A. He handled the accounting, the real estate  
14 operation, the HR, the membership.

15 Q. Up to when?

16 A. Probably past 2001, to some degree. It's  
17 kind of an integrated approach up there.

18 Q. Do you have an idea how long that went on?  
19 You say through 2001. It wasn't through 2010, was  
20 it?

21 A. No, there was a transition where the  
22 developer no longer was asked to be the real estate  
23 operator. From that point on, there was a transition  
24 to Remax. Some of the representatives of Remax  
25 would've been involved in this multi-interface where

1 membership and property purchase was discussed, and  
2 then it's evolved since then.

3 Q. At the time when Remax is brought in,  
4 that's when the accounting, HR, membership was  
5 shifted?

6 A. That remained as a section of CIC.

7 Q. Just the sales aspect of the property  
8 changed to Remax from the developer?

9 A. Yeah.

10 Q. I'll represent to you, I believe that was  
11 about 2006. Does that sound about right?

12 A. I don't know. There have been several  
13 transitions up there.

14 Q. Prior to the agreement with the developer  
15 in 2010, I believe you said it's 2010, did the club  
16 own any of its own memberships at that point?

17 A. Yes, there were a series of concessions  
18 that occurred back in 2003 or '4 that was offered to,  
19 as I understand it, accruing members; basically those  
20 people who had sold property and not their  
21 memberships that were on the resale list.

22 Q. It was a different offer?

23 A. To my knowledge, yeah. It was different  
24 timing. I think it was offered in similar  
25 circumstances.

1 Q. You weren't on the board when that was  
2 offered?

3 A. No.

4 Q. Do you know who was? Was it Wortsparker?

5 A. Wortsparker. Hawkins. The late Jim  
6 Upton. Those are names that come to mind.

7 Q. How did you come to know of that offer?

8 A. Primarily by picking up the resale list in  
9 2009 when I got back on the board.

10 Q. Did you ask any questions about how these  
11 conceded members got on the resale list?

12 A. Yeah.

13 Q. Who did you ask?

14 A. Well, I tried to understand the situation.  
15 Might've been other board members. Most of them long  
16 gone.

17 Q. Do you remember who informed you about:  
18 Here's what happened?

19 A. Not specifically. It was pretty much --  
20 many of those names I recognized.

21 Q. The member names on the resale list?

22 A. On the resale list.

23 Q. Is Terry Wortsparker still on the board?

24 A. No.

25 Q. Do you know him?

1 A. Yes.

2 Q. Is that somebody that you've talked to  
3 about that?

4 A. Not in great detail. I mean, Warts and I  
5 are good friends. I'm not too sure.

6 Q. Warts, Hawk. You call these guy by their  
7 abbreviated last names.

8 A. We spend a lot of time together.

9 Q. I understand.

10 A. They call me Switz.

11 Q. I'm trying to figure out what happened  
12 with these different offers, the one you discussed  
13 with me and apparently the one in 2003-4 time frame.  
14 I'm trying to figure out who would be the best person  
15 to talk to about that, would be able to explain to me  
16 the criteria they offered to concede some of the  
17 memberships.

18 You don't know who the best person would  
19 be?

20 A. No, not unless it was -- the only other  
21 person I might think of is Jim Scheider, who is  
22 looking at the details.

23 Q. Is he on the board now?

24 A. No, he's a lawyer.

25 Q. He's the one that originally helped with

1 some of the drafting that you mentioned?

2 A. Yeah, both the POA, and I'll call it the  
3 Callawassie Island Members Club lawyer.

4 Q. Do you know where he lives now?

5 A. No.

6 Q. He was in Florida?

7 A. No, that's Hawkins. I know there was  
8 concern at the time because the list was large. It  
9 included many people who were accruing their dues.  
10 And the fundamental issue was they were now required  
11 to pay and that would create an allowance for bad  
12 debt issue.

13 Q. Look at this. See if you can identify  
14 what this is.

15 A. Resale list 2002.

16 Q. I'm not certain there's a second page to  
17 it. It seems to fill up the whole page.

18 A. There is a second page, if you will. But  
19 it would be associated with social.

20 Q. This pertains to the golf memberships; is  
21 that correct?

22 A. Yeah, it doesn't say page 1 or 2.

23 Q. And do you recall having seen this before?

24 A. I've seen the format before.

25 Q. You can't say whether this is the same



1 document?

2 A. It would've been in the last months that I  
3 was on the board, not that there wasn't one before  
4 that. Because I think the resale list was kept from  
5 the very beginning. It was part of the membership  
6 plan.

7 Q. Is this a document that's available to the  
8 members?

9 A. Yeah, I think any member can go up and  
10 look at it. I think that's the annotation on the  
11 right, those that are on it, is the number of times  
12 they called and looked. Those people that aren't on  
13 the resale list don't generally say: Let me see it.

14 MR. McDANIEL: Mark that as exhibit 2.

15 (DFT. EXH. 2, Golf Membership Resale List,  
16 Bates stamped CIMC 977, was marked for  
17 identification.)

18 (DFT. EXH. 3, Golf Membership Resale List,  
19 dated 5-22-12, was marked for identification.)

20 BY MR. McDANIEL:

21 Q. Just for clarity and the record, exhibit 1  
22 was the general club rules. It's not stapled  
23 together but it has a cover page and it goes through  
24 page 10.

25 Exhibit 2 is one page.

1 I'm going to ask you about what I've  
2 marked as exhibit 3.

3 MR. HAIGHT: We haven't seen that.

4 MR. McDANIEL: I haven't handed it to you.

5 BY MR. McDANIEL:

6 Q. Look at that one. I'll keep this one.

7 MR. HAIGHT: You want to make a copy? Do  
8 you have a copier?

9 MR. McDANIEL: Let me do that.

10 (A recess transpired from 2:38 p.m. until  
11 2:42 p.m.)

12 BY MR. McDANIEL:

13 Q. I marked as exhibit 3, can you identify  
14 that document.

15 A. It's a resale list from May 22, 2012.

16 Q. Have you seen that resale list before?

17 A. If it's not this one, certainly something  
18 like it.

19 Q. On the list, if you'll look at it, it  
20 appears to have different columns in which it says  
21 name, status, price when listed, date placed, number  
22 when placed, original date purchased, purchase price,  
23 owed to seller and comments. Do you see those  
24 columns?

25 A. Yes, sir.

1           Q.   Under the status, it indicates expelled or  
2   conceded in, by my count, 51 or so of the memberships  
3   of the 74 on the list.

4           Let me ask you generally. Are you  
5   familiar with any of those -- look down the list --  
6   that say expelled or concede for which you are  
7   familiar how they came to be on this list as a  
8   conceded or expelled member?

9           A.   I know the names and some of whom moved  
10   and left. I know there was a concession and offer.  
11   I don't know the difference as to what happened  
12   individually, whether there was a concession or an  
13   expulsion.

14          Q.   Do you have any knowledge as to who  
15   maintains this list?

16          A.   It would be the membership director over  
17   the years. It would've gone all the way back to the  
18   inception of at least 1990.

19          Q.   What decides the priority as in who  
20   decides who's number one on the list and who's number  
21   74 on the list?

22          A.   My understanding is it's the date at which  
23   the member requests to be added to the resale list.

24          Q.   That's kind of what I thought, too, until  
25   you see number 66. If you look down there. Do you

1 have any idea why it seems to indicate they were  
2 placed on the list in 1998.

3 A. I have no idea. They're number 13 on the  
4 other list you showed me.

5 Q. Number 65 is kind of similar thing. Do  
6 you have any idea why they would be in that position?  
7 It seems like --

8 A. I'm sorry, number 65?

9 Q. Both of those, 65 and 66. From what I  
10 understand of this list, appears to be out of date  
11 sequence among others.

12 A. I have no way of knowing.

13 Q. What about 44, Neil Harris?

14 A. I have no way. That's different from -- I  
15 see what you're saying. I don't know.

16 Q. I'm just saying.

17 A. I understand.

18 Q. Date placed. For the majority, the oldest  
19 date placed is priority. There's a handful of them.  
20 You don't know why they would be moved around?

21 A. No.

22 Q. You're not aware of any arrangement offer  
23 to --

24 A. No, sir.

25 Q. As to the expelled persons, I know you

1       were on the board in 2000, '99, '98; is that correct?

2             A.    Yes.

3             Q.    It appears from this list, as of the  
4       status, there's 12 of the expelled members were  
5       expelled during that period from '98 to 2001. I want  
6       to know if you are familiar with the circumstances of  
7       their expulsion?

8             A.    I don't.

9                    I'm sorry. The expulsion date that you're  
10       referring to is when?

11            Q.    I'm assuming that the date they were  
12       placed on the list was the date they were expelled.  
13       I don't know that.

14            A.    I don't believe that's the case. That's  
15       the date they were placed on the resale list.

16            Q.    Is there any way from this you would know?

17            A.    Not unless you can match up a couple here.  
18       No, I don't. Unless there's some concession or  
19       expulsion agreement in file.

20            Q.    Are you aware of any expulsion agreements?

21            A.    No.

22            Q.    I think you testified earlier you're not  
23       aware of any specific instances of anybody being  
24       expelled?

25            A.    That I'm aware of other than what I see

1 here.

2 Q. You know that they're on the list as being  
3 expelled. You don't have any knowledge of the  
4 circumstances of their expulsion?

5 A. No.

6 Q. For somebody placed on this list after  
7 2001, they would've had to have been expelled after  
8 2001?

9 A. Yes.

10 Q. So it appears, at least from the list,  
11 that there are maybe seven or so that have been  
12 expelled from 2001?

13 A. Since they were placed on the list?

14 Q. Yes.

15 MR. HAIGHT: Object to the form.

16 BY MR. McDANIEL:

17 Q. If you look at number 45, Roy, it's  
18 interesting. It indicates there, comment section  
19 conceded 9/23/03.

20 MR. HAIGHT: Object to the form.

21 BY MR. McDANIEL:

22 Q. Do you see that?

23 A. Yes, sir.

24 MR. McDANIEL: What was the basis for the  
25 objection.

1 MR. HAIGHT: It's not number 45.

2 MR. McDANIEL: Number 46, thank you.

3 BY MR. McDANIEL:

4 Q. You see that, referring to the number 46?

5 A. Yeah.

6 Q. And are you familiar with Roy, who that  
7 might be?

8 A. John Roy.

9 Q. What's the nature of his, if you know, his  
10 conceding his membership in September?

11 A. I don't know the details of it. I know he  
12 sold his house without the membership, and he moved  
13 to Aiken. That's the extent of it.

14 Q. Do you know of any provisions in the  
15 governing documents that would allow him to concede  
16 his membership at that time?

17 A. Not unless it was a special offer made by  
18 the board.

19 Q. Let me take you up to 24. If you can look  
20 there. I think it's Gleberman.

21 A. Okay.

22 Q. Are you familiar with the situation in  
23 which Gleberman had conceded membership?

24 A. I'm not. In fact, I'm not aware of any of  
25 the details behind three, four, five, seven -- no, I

1 am aware of seven, Burke.

2 Q. Do you know Burke?

3 A. I know who he is.

4 Q. Are you familiar with his concession of  
5 his ownership?

6 A. No, sir.

7 Q. You can go ahead, if you want to look  
8 through them and just see if you're familiar with any  
9 of them. Let me about the Aziz?

10 A. No, sir.

11 Q. I think it's a doctor.

12 A. No, sir, that says it was conceded while I  
13 would've been on the board. I'm not aware of it.

14 Q. At that time, 9/20/01, would it have to be  
15 approved by the board or the developer could have  
16 done that without board approval?

17 A. It was after asset transfer. I have no  
18 idea when the offers were made.

19 Q. So you seem to be saying that the offer  
20 was made before the asset transfer? The developer  
21 could've done it?

22 A. It could've been a joint effort.

23 Q. If the developer did that at the date that  
24 it indicates there, 9/20/01, right about that same  
25 date, attempted to, would that be something the



1 developer would have the authority to do, in your  
2 opinion?

3 A. Probably not. I'm just speculating. It  
4 must have been an offer that both parties were aware  
5 of.

6 Q. Both parties being the club?

7 A. The club and the developer.

8 Q. You don't recall that offer?

9 A. No, I recall there was discussion. There  
10 were some forms of either letters -- I recall couple  
11 things going on; one of which I do recall, we were  
12 trying to let people know who were accruing. That  
13 effective with the asset transfer, they would be  
14 getting a bill and, therefore, would have to keep  
15 their accounts current. That was in advance.

16 Q. They would be getting a bill for their  
17 current dues, but you're saying getting a bill to  
18 include all the amount accrued?

19 A. The bill would certainly include the total  
20 amount. Let me say I would assume. Their  
21 responsibility to pay and not accrue would be from  
22 whatever the turnover date was, 6/29 or 6/30 forward.  
23 In anticipation that suddenly they would say -- we  
24 just want to let them know: You're going to have to  
25 pay.

1           Q.   Are you aware of anytime when any of these  
2   rules changed or any of the governing documents, the  
3   club took over, anytime since you have been at  
4   Callawassie where an offer was made to club members  
5   to turn in their membership with no -- basically,  
6   turn in and walk away if they didn't like whatever  
7   change was about to occur?

8           A.   No.

9           Q.   In 2001 --

10          A.   If you didn't go for it, you could buy  
11   your way out?

12          Q.   Not buy your way out. If you don't  
13   approve of this, you have the option to resign your  
14   membership now with no continuing obligation.

15          A.   No, I'm not aware of any.

16          Q.   I think that's come up somewhere in the  
17   past. I just wanted to clarify. You don't recall  
18   that?

19          A.   I think if something is properly approved,  
20   it applies.

21          Q.   You don't recall ever receiving or seeing  
22   an offer that say, if you don't like the way the  
23   rules or members are taking over, you can turn in  
24   your membership and have no obligation?

25          A.   No.

1           Q.   If you would, just look down through the  
2   names.  I just want to make sure if any of these look  
3   familiar, whether through your board activities or  
4   discussions as a member with other members that you  
5   have any information about them or definitely  
6   interested in it.

7           It appears, like I said, 51 is my count of  
8   those listed here, either conceded or expelled  
9   members.  Are you familiar with Butcher, number 18?

10          A.   Uh-huh.

11          Q.   What's your understanding how that  
12   happened, how that concession -- if that's what it  
13   was.

14          A.   The concessions that I'm aware of, based  
15   on the board's offer in 2009-2010, offers were made  
16   to Beauregard, Leffers, Dick Williams, Hobson,  
17   Butcher.  I don't know about Brice.  Field, number  
18   37; Gallup, number 48; Elias, and Cameron.  Off the  
19   top of my head those are names.

20          Q.   Are you familiar with Oelkers, number 61?

21          A.   No, sir.

22          Q.   What about Reid, John W, number 70?

23          A.   No, sir.  There may have also been  
24   discussions with number 55, Thomas.

25          Q.   These members that are indicated as

1       conceded or in the situation where you're familiar  
2       with the ones who --

3             A.    Were conceded.

4             Q.    -- were conceded, who then owns that  
5       membership?

6             A.    The Callawassie Island Members Club.  It  
7       was turned back in consistent with the four-prong  
8       offer that the board authorized.

9             Q.    Are you aware of the board or of the club  
10      owning any memberships in 2001 when you were on the  
11      board?

12            A.    In 2001?

13            Q.    When you first got on the board -- let me  
14      back up.

15                    When you first got on the board, how many  
16      memberships, if any, did the club own of its own  
17      memberships.

18            A.    How many may have been conceded?

19            Q.    Just owned.

20            A.    What do you mean by owned?  I'm not being  
21      smart.  Obviously, we own all the treasury stock.  
22      You mean of ones that have been issued and in some  
23      fashion passed back to the board?

24            Q.    I'm guess I'm understanding there's a  
25      difference between equity members who own their

1 membership versus conceded memberships that have been  
2 passed back to the club. The club then owns it  
3 versus those still owned by the developer.

4 Up to 2010 or thereabouts, my  
5 understanding is the developer owned a large number  
6 of the unissued to members.

7 A. He was entitled to the proceeds from the  
8 sale of the unissued memberships.

9 Q. Did he own them?

10 A. No, he owned the proceeds. I mean, I'm  
11 not too sure what the distinction is. They're issued  
12 as stock from the Callawassie Island Members Club.

13 Q. I'm not trying to get -- I'm trying to  
14 figure out who had the obligation for the  
15 memberships.

16 A. Obligations to do what?

17 Q. Whatever obligations accrue to membership,  
18 any of the obligations they had. Who would that have  
19 been assigned to or assessed to?

20 I understand the developer may have  
21 different arrangements as to what those obligations  
22 were. Members have their obligations. And I'm  
23 wondering as to these memberships that are conceded  
24 or however they came back to the club, how many of  
25 them were there? How many memberships?

1           A.    It would be whatever is on this list at  
2   the time, to my knowledge.

3           Q.    When you first got on the board, do you  
4   have a sense of how many memberships the club had  
5   taken back?

6           A.    No.

7           Q.    For those memberships that are conceded,  
8   how did they interact with the resale list?  How are  
9   they placed on the resale list?

10          A.    They remain in the same spot they were  
11   when they were conceded.

12          Q.    When they are conceded, are the members of  
13   those conceded still obligated to pay dues, fees and  
14   assessments?

15          A.    Not on the ones that I know.

16          Q.    Are you aware of whether the other  
17   conceded memberships would be continue to be  
18   responsible?

19          A.    Not specifically, no.  I can speculate.

20          Q.    What would you speculate?

21               MR. HAIGHT:  Object to the form.

22               THE WITNESS:  I would speculate this was  
23   taken back in relief of ongoing or further duty.

24   BY MR. McDANIEL:

25          Q.    Would you assume that to be the case with

1 expelled membership as well?

2 A. I'd have to assume it. I don't know.

3 Q. You don't know the accounting, is what  
4 you're saying. Your understanding of the way this  
5 stuff functions, a conceded or expelled membership is  
6 no longer being pursued for dues, fees, obligations?

7 A. Please say that again.

8 MR. HUGHES: Object to the form.

9 BY MR. McDANIEL:

10 Q. Your understanding is that a conceded or  
11 expelled membership --

12 A. My assumption would be.

13 Q. Your assumption would be those members,  
14 conceded and expelled are no longer obligated for  
15 dues, fees, and assessments.

16 MR. HUGHES: Object to form.

17 BY MR. McDANIEL:

18 Q. Yes or no?

19 A. Yes, my assumption would be.

20 Q. Let me make sure I ask about some of these  
21 at the bottom that looks like they were placed on  
22 here after 2001, particularly after June or August of  
23 2001. I don't recall exactly. What about Tempest,  
24 number 56? Are you familiar with that?

25 A. I'm familiar with the individual.

1 Q. What's the name? Do you know the first  
2 name? Is that the last name?

3 A. Yeah, it's Al Tempest.

4 Q. Were you aware that he was expelled for  
5 membership?

6 A. I was not aware that he was expelled. I  
7 was aware that he was having financial problems. May  
8 or may not still live in the area.

9 Q. Do you know if he lives in Callawassie?

10 A. I know he definitely does not live in  
11 Callawassie. I haven't seen Al Tempest in maybe ten  
12 years.

13 Q. What about 63, William Shaw?

14 A. No, no knowledge.

15 Q. I think I asked you already. What about  
16 Oakley, 65?

17 A. No.

18 Q. Long, 69?

19 A. No, sir.

20 Q. How do you know Al? You still keep in  
21 touch with Al?

22 A. No, we haven't seen him in a long time.  
23 We used to play golf together. His son and my son  
24 play golf together.

25 Q. All these memberships that indicate under



1 the name membership pool, what does that reference?

2 A. In the agreement with the developer, as  
3 part of the settlement, we pooled the unissued and  
4 the memberships on the resale list into a membership  
5 pool. The sale of any of those, we would share the  
6 proceeds 50/50.

7 Q. I'm sorry. Make sure I get it. Which  
8 memberships went under that membership pool?

9 A. Unissued.

10 Q. And those would include owned by the  
11 developer?

12 A. They weren't owned by the developer; the  
13 ones that the developer were entitled to full  
14 proceeds for. We pulled those, agreed to pull those  
15 and the resale list, concessions, expulsions, however  
16 they were defined in the past previously to CIC and  
17 the sale of any of the -- CIC meaning Callawassie,  
18 CIMC. And the sale of any of those, the proceeds  
19 would be shared 50/50. That's in the omnibus  
20 agreement.

21 Q. That's part of the agreement with the  
22 developer?

23 A. Yes, sir.

24 Q. And I just want to make clear, when you  
25 say those are on the membership pool from the resale

1 list, that was only those that had been conceded or  
2 expelled or is it all the memberships on the resale  
3 list at the time?

4 A. Only those that had been conceded or  
5 expelled, if you want to say, to CIMC. The resale  
6 list previously had, if you saw -- there should be a  
7 resale list that says pre-settlement. And the  
8 pre-settlement would show that, for instance, Perry,  
9 it would probably say CIMC, parentheses, Perry.  
10 Post-settlement, those were changed to membership  
11 pool.

12 Q. Did the agreement change the position of  
13 anyone on the resale list?

14 A. No, we were very careful. We had talked  
15 about that as maybe making an exchange pool. In the  
16 end, we thought it was in the best interest of  
17 everybody to keep the list as is.

18 Q. What's the purpose of indicating its  
19 membership pool?

20 A. The omnibus agreement pooled those  
21 memberships.

22 Q. To identify them for 50/50 division with  
23 the developer?

24 A. Yes, sir.

25 Q. Are there any other effects on that

1       conceded membership from being in the membership  
2       pool? Is that the sole basis for it, we just wanted  
3       to identify?

4             A.    Simplified the sale of the certificates.  
5       And even though we would maintain three-to-one  
6       relationship, we would share the proceeds.

7             Q.    The three-to-one relationship, explain  
8       that. Three-to-one being?

9             A.    Three unissued memberships are sold first.  
10      Then the fourth membership sale is off the resale  
11      list. That protocol has been in effect since as long  
12      as I can remember; early '90s.

13            Q.    I just handed you two documents, which are  
14      two different pages; one dated 2/14/2010 from  
15      Callawassie Island; one May 5, 2010. See if you  
16      recognize these two documents.

17            A.    I don't recognize the documents, but I  
18      recognize the name. I don't remember seeing the  
19      letter.

20            Q.    Let me direct you to the April 14th first.  
21      It appears to be a letter to McBee Butcher. I'm  
22      wondering, is this the offer that you were describing  
23      earlier that was made to members with membership not  
24      related to ownership of any real estate on  
25      Callawassie Island?

1 A. Yes, sir.

2 Q. Did you direct or participate in the  
3 drafting of that letter or that offer?

4 A. This letter?

5 Q. Yes.

6 A. No. I don't know who did or advised  
7 Brian. The terms of it, the essence of it are  
8 consistent with the offer the board approved.

9 Q. Do you recall ever seeing the May 5, 2010  
10 document?

11 A. No, sir, I was aware, as I pointed out,  
12 that Butcher was offered that.

13 Q. So you're aware of the existence of this  
14 offer. Do you have any reason to think this isn't  
15 the agreement to those terms?

16 A. It's consistent with the guidelines that  
17 we authorized Brian Lasota to discuss.

18 MR. McDANIEL: Mark those together as  
19 exhibit 4.

20 (DFT. EXH. 4, Letters dated 4-14-10 and  
21 5-5-10 from Brian Lasota to Mr. Butcher, was marked  
22 for identification.)

23 BY MR. McDANIEL:

24 Q. Let me hand you another document, see if  
25 you can identify that. Seems to be a similar type

1 letter to Damian Ellias.

2 A. I think Elias.

3 Q. The previous one was sent out April 2010.

4 This one seems to be sent out October 2010. Is this  
5 also representative? Do you recall this document?

6 A. I haven't seen this letter, but I'm aware  
7 of the situation.

8 Q. You're aware of that particular member  
9 being made an offer of this sort?

10 A. Yes.

11 Q. Do you know whether or not he accepted it?

12 A. I believe he did. I don't believe -- I  
13 think it's a conceded thing.

14 Q. Are you aware of whether or not Mr. Elias  
15 made any payment with regard to his concession of his  
16 membership?

17 A. I don't know. The background of this was  
18 a unique situation. Mr. Elias bought two  
19 memberships -- excuse me -- two lots and two  
20 memberships. And unbeknownst to the POA, had gone to  
21 the county and consolidated those lots.

22 It was -- I got called -- I don't know if  
23 I got called. We were informed by the POA that, I'll  
24 call it their checkpoint process, which would've  
25 required approval. It was unclear as to whether it

1 was missed or what. The lot was consolidated.

2 Mr. Elias, in good faith, then put his membership on  
3 the resale list for which he continued to pay dues up  
4 until this offer.

5 I think there was discussion as to this  
6 was kind of should've been caught, should've been  
7 mentioned. It was a belated offer that said payment  
8 had been made in the past. That's the background to  
9 it.

10 Q. Is there some reason in your thinking that  
11 he would be no longer obligated under a second  
12 membership?

13 A. Based on the agreement. We probably  
14 should've stopped him. The point was, as I  
15 understood it from the POA, the consolidation  
16 should've been stopped.

17 Q. As far as the membership goes, that  
18 wouldn't affect his membership, would it?

19 A. He bought two memberships at the time he  
20 bought the lots. And once he consolidated, as I  
21 remember it, then he put it on the resale list. His  
22 position on it was so far down that the probability  
23 of it being sold and so -- I remember the discussion  
24 with the POA.

25 Q. It doesn't appear that he made any sort of

1 payment with conceding his membership?

2 A. That's correct.

3 Q. He did not?

4 A. It doesn't look like it from this.

5 Q. Do you recall him making a payment?

6 A. No, I don't.

7 Q. Didn't the other offered members have to  
8 pay one year's dues and fees?

9 A. They were offered. That was the original  
10 offer, yes.

11 Q. Was that offer made to Mr. Elias?

12 A. I don't know. I don't have the original.  
13 I guess this is the offer.

14 Q. I was wondering why he was given a  
15 different offer than what we saw with exhibit 4 with  
16 payment of one year's dues. If you can tell me why  
17 that would've been.

18 A. The background, as I recall it, was this  
19 was discovered after the original offer went out. He  
20 originally was assumed to have property associated  
21 with that membership. And this particular situation  
22 was, it was something that should've been caught in  
23 the administrative process of the POA.

24 Q. The club determined, because there wasn't  
25 a property associated with the membership, that the

1 offer would be to take his membership back?

2 A. Yeah, my recollection of the discussion  
3 between the POA and the club.

4 Q. Wasn't that the same situation Bill Hobson  
5 was in; unassociated membership?

6 A. Ultimately, yes.

7 Q. I guess I'm trying to figure out the  
8 distinction. Why is he apparently offered just to  
9 get it back?

10 A. There must have been some discussion.

11 Q. With who?

12 A. I would assume with Mr. Elias.

13 Q. You think that he came to the board -- do  
14 you recall him ever coming to the board?

15 A. I don't recall him ever coming to the  
16 board.

17 Q. Do you have any knowledge of any reason  
18 that there is a distinction between the two offers?

19 A. Yeah, one was a correction of an error  
20 that probably should've never happened was my  
21 understanding.

22 Q. You're saying this one, the last one.

23 MR. MCDANIEL: Let's mark this one.

24 (DFT. EXH. 5, Letter dated 10-20-10 from  
25 Brian Lasota to Mr. Elias, was marked for



1 identification.)

2 BY MR. McDANIEL:

3 Q. I'm just not clear what you mean a  
4 correction of an error that should've never happened.  
5 He was required to buy two memberships. He had  
6 purchased two memberships; correct?

7 A. Uh-huh.

8 Q. It wasn't an error of him incorrectly  
9 buying two memberships, was it?

10 A. The error was in not informing the POA or  
11 the POA not catching the fact that he had gone to the  
12 county and consolidated the lots because the  
13 consolidation, as I understand the covenants,  
14 requires approval by the Property Owners Association.

15 Q. What does that have to do with his  
16 obligation? How does that make him any different  
17 than Bill Hobson? He now has one lot associated with  
18 one and an unassociated membership. How is that  
19 different than other members in his same situation?

20 A. I think the fact it was an error in  
21 process.

22 Q. You're not claiming the membership made  
23 any error, are you?

24 A. No.

25 Q. The club didn't make any error; correct?

1           A.    No.

2           Q.    This error you're referring to, POA  
3 shouldn't have let him subdivide or join these two  
4 lots?

5           A.    He should've asked or they shouldn't have  
6 given permission. He should've asked or the  
7 process should've been caught. I'm not sure if he  
8 has to physically go up and ask. I remember that's  
9 what happened with the situation. Also, it's the  
10 reason it's October 20th as opposed to the earlier  
11 dates in 2010.

12          Q.    I'm not understanding how that mistake of  
13 the Property Owners Association would play into the  
14 club's decision to make him this offer. I'm  
15 wondering if you could help me bridge that gap.

16                The PROPERTY owners association, he  
17 doesn't get permission. Sounds like maybe he did it  
18 the correct way, got missed by the property owners  
19 association.

20          A.    I don't know quite honestly who the fault  
21 was. The process broke down somewhere.

22          Q.    Somewhere in the process he was able to  
23 join two lots, still owning two memberships. The  
24 mistake, as I'm understanding it, would be the  
25 property owners association should've either

1        consented to that or maybe they wouldn't have  
2        consented to it. There should have been some process  
3        by which they had to approve it; is that correct?

4            A.    Yeah, I don't have the details of it. I  
5        say the process broke down.

6            Q.    In the discussions with the board for  
7        making Mr. Elias an offer -- that's fine. I think I  
8        understand what you're saying. I don't understand  
9        how it's connected to the memberships. If you can  
10       clarify it any more, I'd ask you to do it. If you  
11       can explain to me how the failure of the property  
12       owners association to either give or withhold his  
13       ability to join the properties would result in this  
14       offer.

15           A.    I think I tried to explain it. I think  
16       the fact Mr. Elias had put his membership on the  
17       resale list and had continued to pay dues, my  
18       understanding, there was kind of a mutual agreement  
19       that, well, this should've been caught. The  
20       probability of this membership being sold and there  
21       probably was one other factor in the timing. I don't  
22       know when he ultimately conceded. He would've paid  
23       by then 11 months. In that sense, it was already  
24       into almost a year's worth of dues paid.

25           Q.    Is it your belief that, had it been

1 caught, to use your words, he would've not been  
2 obligated for those dues for those 11 months?

3 A. Had it been caught, we'd probably  
4 understood that the unassociated membership would've  
5 been caught years before. Were we aware that  
6 membership was unassociated with property, it  
7 would've been part of the earlier year offer.

8 Q. The one from April?

9 A. Yes.

10 Q. You're saying he didn't have to pay the  
11 year's dues?

12 A. He, in effect, did. This wasn't offered  
13 until --

14 Q. Until November.

15 A. Yeah. And you pay forward on dues.

16 Q. I'm understanding it now. Because the  
17 offer came to him later than other members?

18 A. Yeah.

19 Q. Did Mr. Elias ever serve on the board?

20 A. No, not that I'm aware of.

21 Q. Was he ever a committee member?

22 A. Not that I'm aware of.

23 Q. Are you familiar with Mr. Charles Gallup?

24 A. I'm familiar with the name, anecdotally  
25 the conversation.

1           Q.    You recall authorizing Brian Lasota or the  
2   manager to make some offer to him with regard to his  
3   concession of the membership?

4           A.    It was consistent with offers to  
5   membership, yeah.

6           Q.    I just want to make sure you said yes.

7           A.    Yes.

8           Q.    And do you recognize this letter?

9           A.    No, I don't.  I mean -- go ahead.  No, I  
10   do not.

11          Q.    Is this consistent with what you  
12   understood to be the offer to be made to Mr. Gallup?

13          A.    Yes, well, let me put it this way.  It's  
14   consistent with what we authorized back in late 2009,  
15   early 2010.  It's provided at about the same time  
16   that we found the Elias situation.

17          Q.    Do you know any reason this one wasn't  
18   offered until October of 2010?

19          A.    Yeah, we didn't know this was an  
20   unassociated membership.

21          Q.    Why would you not know that?

22          A.    There was an error in the resale list.  I  
23   mean the terms -- I think it had lot next to it.  And  
24   this could well have been a Spring Island founder  
25   membership.  For some reason, we did not discover the

1 Elias and the Gallup situation until later in the  
2 year. We wanted to make an offer consistent to all  
3 those people consistently with the unassociated.

4 Q. Do you know whether he accepted that  
5 offer?

6 A. I think he did. We should be able to  
7 understand all those. Elias did. And Gallup did.  
8 He's number 48.

9 Q. Did concede?

10 A. Yes.

11 MR. McDANIEL: Mark that as exhibit 6.

12 (DFT. EXH. 6, Letter dated 10-21-10 from  
13 Brian Lasota to Charles Gallup, was marked for  
14 identification.)

15 MR. McDANIEL: That number 6 is the  
16 October 21, 2010 letter to Charles Gallup.

17 BY MR. McDANIEL:

18 Q. Let me show you one more letter. Do you  
19 recognize this letter?

20 A. No, sir.

21 Q. Were you on the board in November 13,  
22 2002?

23 A. No, sir.

24 Q. Do you know who William F. Hawkins is?  
25 Bill Hawkins, is that the one you know?

1           A.    Yes, sir.

2           Q.    Are you familiar with how the Callawassie  
3   Members Club, Inc., what the application to concede  
4   the membership was as referenced there?

5           A.    No, because it's the same reason I didn't  
6   know what the other concessions were on the resale  
7   list.

8           Q.    When you were on the board after the  
9   transfer to the Callawassie Members Club, this is in  
10   2001, were you aware of an application that could be  
11   filled out to concede your membership to Callawassie  
12   Island Members Club?

13          A.    I had seen a form.  I was aware of the  
14   fact -- as I told you earlier, we were informing  
15   people that were accruing that they would have to  
16   pay.  And I was aware of discussion vis-a-vis the  
17   issues of bad debt and what might be the most  
18   efficient way to proceed to clean up the -- when I  
19   say clean up, to understand the resale list.

20                I was not aware of any of the specific  
21   offers, but I have seen a form of either offer of  
22   concession or acceptance thereof.  Actually, I saw  
23   the form only by going through some of the  
24   documentation associated with this proceeding.

25               MR. McDANIEL:  Mark that as exhibit 7.

1                   (DFT. EXH. 7, Letter dated 11-13-02 from  
2     Mr. Hawkins to Mr. Knearl, was marked for  
3     identification.)

4     BY MR. McDANIEL:

5           Q.     Do you recognize the name of Bruce McMinn?

6           A.     Yes.

7           Q.     Who is that?

8           A.     He was the general manager at the time.

9                   Ellen Padgett I think you already know.

10          Q.     Has her as membership administrator CIMC;  
11     is that correct?

12          A.     Yes.

13          Q.     Is that a position she held?

14          A.     For as long as I can remember, Ellen  
15     Padgett was at the sales office from 1991 on.

16          Q.     Who was the general manager after Bruce  
17     McMinn?

18          A.     Hawkins served as the interim. Following  
19     that was an individual named John Adams. Then Mark  
20     West. Then came Brian Lasota.

21          Q.     Just to go back to this November 13, 2002,  
22     exhibit 7, are you familiar with Homer Knearl?

23          A.     I know who he is.

24          Q.     Do you know any of the circumstances by  
25     which he conceded his membership?



1 A. No, sir.

2 Q. Let me give you this document, see if you  
3 can identify it.

4 A. Okay.

5 Q. Do you recall this letter?

6 A. No, sir.

7 Q. Do you recall the offer made to Jacqueline  
8 Leffers, that this correctly represents the offer  
9 made to her?

10 A. I'm sorry. Say that again.

11 This is consistent with the guidelines  
12 that we gave as a board to Brian Lasota to discuss  
13 concession.

14 Q. What was the bounds of his discretion with  
15 regard to settling these types of memberships?

16 A. That it would be a negotiated settlement  
17 beginning with that offer that was dictated.

18 Q. Was Brian Lasota authorized to settle, for  
19 instance, receiving no payment from the member if --

20 A. Depending upon the situation, yes.

21 Q. Those discussions, those settlement offers  
22 didn't go back to the board?

23 A. No, sir.

24 Q. They were handled by Brian Lasota?

25 A. Yes, sir.

1           Q.    In this situation, are you aware whether  
2   or not Jackie Leffers, which I understand is  
3   Jacqueline Leffers, made any sort of payment along  
4   with her concession of her membership?

5           A.    Based on this, I don't believe so.

6           Q.    It appears from this that the equity  
7   amount was exhausted; if your membership were to sell  
8   before the equity amount was exhausted, the club  
9   would split the nonaccrued proceeds with you?

10          A.    The sale of the membership would satisfy  
11   the arrearage, is the way I read this. And since I  
12   believe she was very close to the top of the list,  
13   that if there was a remaining net amount, it would be  
14   split between us.

15          Q.    Is it your understanding that her  
16   obligations to dues, fees, and assessments ended at  
17   the point when she agreed to these terms?

18          A.    Yes, as the others did.

19          Q.    The amount accrued was known. It was a  
20   known quantity at that point?

21          A.    An aged receivable report. This was also  
22   the individual that was assisted by Jack Castle so  
23   that we could bring this to conclusion. We were not  
24   too sure how to continually get in touch with her.

25          Q.    Why was that?

1           A.    I'm not too sure if she was in assisted  
2    living or anything else.  It was a way to resolve it.  
3    We asked Jack to assist us, as we have with two  
4    others on there.  They're unreachable.

5           Q.    That Jack has helped you with?

6           A.    We've asked him to.

7           Q.    Has he done that?

8           A.    Tried to.

9           Q.    I'll just point back to exhibit 3.  This  
10   seems to be May 2012 golf membership resale list.  
11   Jackie Leffers is still on that as number seven; is  
12   that correct?

13          A.    That's correct.

14          Q.    Do you know whether she's still on the  
15   resale list today?

16          A.    No, it's conceded, and part of the  
17   membership pool.

18          Q.    The membership number seven, do you know  
19   whether that's unsold; still on the resale list?

20          A.    It is, yes, as a membership pool.

21          Q.    We've got the document that shows in May  
22   of 2012.

23          A.    As we said earlier, we've not changed the  
24   order.  There have not been seven since that point in  
25   time.

1           Q.   That's what I'm asking.  Who are the other  
2   three that you mentioned Mr. Castle being involved  
3   with?

4           A.   Beauregard and Williams.  Jack is either  
5   from New Hampshire or Maine or Vermont and was aware  
6   of those two individuals.  We asked him to try and  
7   see if he could contact them.  They were receiving  
8   such an offer.  He was unable to find them.

9                   We have left them on that list.  To my  
10   knowledge, I really don't know whether they're alive  
11   or competent.  And rather than accept concession with  
12   us --

13          Q.   As far as you know, they have not conceded  
14   their membership?

15          A.   We have not received anything back,  
16   although we've tried to follow up.

17                   The Beauregard situation, I know she  
18   wasn't even the original member; her parents were.  
19   They're both deceased.

20          Q.   Do you know whether or not -- what was the  
21   process that the board and the club used after 2001  
22   when the members club, from your testimony, gained  
23   the assets of the club?  What was the process at that  
24   point for board orientation?

25          A.   I don't know after I left.  I can tell you

1     that, prior to my leaving, we would, one, conduct a  
2     seminar of board responsibilities with candidates for  
3     the board and actually inform them of time  
4     requirements, documents and so on. And by then, if  
5     they were elected, they had at least been  
6     familiarized with the governing documents, the  
7     covenants, the bylaws, membership plan. We certainly  
8     gave them access to all the previous financials.

9           Q.     Did Chaffin Light or Callawassie Island  
10    Club participate at all in the training or  
11    orientation of any of the board members early on?

12           A.     Not that I recall. Again, the group that  
13    started in 1998 had a great deal of interaction with  
14    Chaffin and, particularly, we had developed our own  
15    set of proformas. We were aware of most of the  
16    documents. In fact, Bill Hawkins and Jim Upton were  
17    some of the drafters of the original, the revised  
18    purchase agreement and looking forward.

19           Q.     This is something that had been provided  
20    to us in discovery. I wanted to see if you can  
21    identify this document for me.

22           A.     I've seen it. I found it in one of the  
23    files, and I can't remember where. It's a fax from  
24    Jim Upton, who is now deceased. He was a board  
25    member; I think membership chair. And that's the

1 form I said I had seen earlier in the process of kind  
2 of finding files.

3 Q. In the process of this litigation?

4 A. Yes.

5 Q. Are you aware of whether or not this was a  
6 form that was available to members?

7 A. No, I'm not aware whether it was or  
8 wasn't. I was on the board at the time this was  
9 sent. I can't remember the scope of it, of the  
10 distribution.

11 MR. McDANIEL: Mark that as an exhibit.

12 (DFT. EXH. 8, Letter dated 4-5-10 from  
13 Brian Lasota to Mrs. Leffers, was marked for  
14 identification.)

15 (DFT. EXH. 9, Membership offer, Bates  
16 stamped CIMC 982, was marked for identification.)

17 BY MR. McDANIEL:

18 Q. We've marked the April 5, 2010 letter to  
19 Jackie Leffers as exhibit 8. And the document we  
20 were just talking about as exhibit 9, which was  
21 identified, I believe, as a fax from Jim Upton?

22 A. To someone.

23 Q. Jim Upton to someone?

24 A. Yeah.

25 Q. Let me get you the one that's marked.

1 I'll take this copy from you.

2 You have indicated as to this document --  
3 I just want to clarify. It seems to be dated July  
4 '04, 2001 as maybe the fax date. It's kind of hard  
5 to tell when this was created. Do you see any  
6 indication?

7 A. No.

8 Q. Do you have any idea when it was created  
9 outside of the document itself?

10 A. No.

11 Q. For instance, when was Upton, perhaps,  
12 drafting documents?

13 A. It's strange. It says as of 6/29. It was  
14 faxed on July 4th. I have no idea when he prepared  
15 it. The body of the letter refers to something as of  
16 6/29, which you would think he might've drafted it  
17 well in advance of 6/29.

18 Q. It says to the Callawassie Island Members  
19 Club, Inc., membership administrator above that. It  
20 appears to me to be a form that a member might have  
21 that they would send back to the club. I'm just  
22 speculating on that.

23 A. I could speculate the same way. It would  
24 appear that an offer was made, and this is the return  
25 document, much like what we saw earlier with Mac

1 Butcher's signature or Jacqueline Leffers.

2 Q. There's no names on it. To me, it appears  
3 almost a form document that could be used.

4 A. I agree. The membership administrator  
5 would've probably been Ellen Padgett at the time.

6 Q. She was identified earlier in one of the  
7 letters as a membership administrator.

8 Is a membership administrator, membership  
9 coordinator, membership director the same thing or  
10 all different positions?

11 A. I would imagine not. I don't think the  
12 titles have been consistent and certainly with the  
13 change of sales office, management and  
14 administration.

15 Q. Those all refer to her at that time that  
16 you know of?

17 A. At that point in time, in 2001, Ellen was  
18 probably the membership administrator. She could  
19 verify what she was called.

20 Q. I'll ask you a general question. What  
21 governing documents do you believe that, under the  
22 current litigation with the Aultons, Michael and  
23 Sandra Aulton, what governing documents, what  
24 documents of the club do you believe govern their  
25 situation? Govern their membership rights and



1 obligations.

2 A. The Aultons purchased in 2003?

3 Q. I'll represent to you they did. Assume  
4 that they did.

5 A. First and foremost would be the amended  
6 declaration because that is, in my nonlegal opinion,  
7 the overriding document for the island, whether it  
8 defines membership or architectural review status.

9 Following that, you know, the membership  
10 plan as may or may not be amended to, I guess, the  
11 plan of record at the time litigation started.  
12 That's where I'll yield to lawyers.

13 Obviously, the bylaws as amended.

14 And then as far as I'm concerned, the  
15 general rules as applicable, not necessarily  
16 overridden by the overriding issue, the requirement  
17 to own, to purchase and to maintain in good standing  
18 membership, which was crucial to the -- well,  
19 critical to all the decisions made from 2001.

20 Q. This litigation, I believe, was begun in  
21 2009. Do you know the documents -- does it depend on  
22 when in 2009 it was begun or do you know which  
23 documents, as you said, were in effect at that point  
24 of litigation, if I give you the date?

25 A. I just think -- just take my case. If I

1       was -- whatever the plan of record is at the time I  
2       would think litigation starts. I don't see any,  
3       unless specifically noted, grandfathering based on  
4       prior issues. I think the one constant has been the  
5       covenants.

6               Q.    The change in the rules that appears to be  
7       there, would you agree -- there appears to be a  
8       change of language of 13.3.1 to take the shall and  
9       make it a may with regard to expulsion of members.  
10      We've talked about that already.

11               In the document where that changes -- you  
12      may have already answered this already -- were you on  
13      the board at the time that change was made?

14              A.    No, sir.

15               Q.    That was 2009?

16              A.    I don't know. I only can go by the latest  
17      copy that I have. I don't have that series.

18               Q.    I just want to make sure I understand that  
19      particular change. I know they've amended it again  
20      since you've been on the board; correct?

21              A.    No, I don't think -- I can't recall  
22      general rules being amended. What's the date of the  
23      last one?

24               Q.    The one I'm looking at is dated February  
25      23, 2009.

1           A.    I would not have been on the board in  
2   February 23, 2009.  I would've taken office March  
3   1st.

4           Q.    Of 2009?

5           A.    Uh-huh.  Again, I know everybody keeps  
6   focusing on the general rules; shall or may.  The  
7   thing that just doesn't make sense to me, since we're  
8   talking about parity in treatment, when you have the  
9   passage of a covenant change in 2001 that is  
10  overwhelmingly supported as necessary to maintain the  
11  island that requires membership and maintenance of  
12  that membership forward, the idea with that as the  
13  overriding factor, that a general rule which was  
14  totally the opposite of that objective says, as I  
15  hear it argued, oh, by the way, if I stiff you for  
16  four months, you should stop sending me a bill.

17                Those two things -- I may understand  
18  reading words specifically, but it just doesn't make  
19  sense.

20           Q.    It doesn't to you --

21           A.    That's it.  That was my opinion.

22           Q.    It's interesting.  You believe the intent  
23  of the covenants doesn't support --

24           A.    There's an inconsistency between the two,  
25  clearly.

1 Q. Do you believe there's any inconsistencies  
2 between the two?

3 A. I'm sorry, I think I just said that. I  
4 think that general rule is inconsistent with the  
5 issue of purchasing and maintaining membership,  
6 particularly for those after 2001. And certainly the  
7 obligation to pay forward as defined prior to that as  
8 resignation is to me similarly inconsistent.

9 Could we take a break?

10 MR. McDANIEL: We can. I probably only  
11 have about 15 minutes.

12 (A recess transpired from 3:53 p.m. until  
13 4:05 p.m.)

14 BY MR. McDANIEL:

15 Q. Mr. Switzer, are you aware of any change  
16 in the Callawassie Island Member Club policy with  
17 regard to putting people on the suspended members  
18 list?

19 A. Any change?

20 Q. Any change since you've been on the board  
21 this most recent time.

22 A. No, not that I can think of.

23 Q. Have there been any discussions on the  
24 board or any direction to take people off the  
25 suspended members list where they had previously been

1       kept on there?

2               Let me explain that.  There's been some  
3       representation to me that the suspended members list,  
4       the people that show up on it be removed from the  
5       suspended members list but not because they had  
6       possibly paid up or no longer were suspended.  Are  
7       you aware of any discussion on the board about that  
8       issue?

9               A.  No, I've never heard -- I mean, basically,  
10       somebody is representing to you that there's some  
11       flimsy process?

12              Q.  Let me say hypothetically speaking is  
13       probably a better way to do it.  Well, not  
14       hypothetically; it's just a question.

15              Are you aware of any discussion on the  
16       board with regard to changing the policy for listing  
17       or delisting people from the suspended members list  
18       since you've been on the board?

19              A.  No, if anything, the discussion has been  
20       to be as consistently -- I don't know if rigorous is  
21       the word -- as to the process.  And most of it has to  
22       do with the fact why we're sitting here.

23              Q.  Who maintains that list?

24              A.  That list is maintained by Craig Simonson  
25       as our accountant.  And since I've been treasurer, we

1 have refined the accounts receivable aging by member  
2 in anticipation of three things; one of which was the  
3 escalation of people who are over 30 and over 60 to  
4 make sure we understand what may be a coming wave of  
5 delinquency. We've cleaned that up. That has  
6 nothing to do with policy; has to do with reporting.

7 We have, I think, more clearly documented  
8 what was the implicit policy, with Rick's help, and  
9 go through a fairly orderly 30-60-90-day or 120-day  
10 process every month. Our general manager gets a list  
11 of over 30 and over 60 days. He, based on what he  
12 knows from previous conversations and dialogue with  
13 members, sends or doesn't send those out.

14 If he knows someone he talked to last  
15 week, has told you: I know I'm late, my check is  
16 coming. Don't ding me. If we see a name on the list  
17 that says this person hasn't been late in 102 years,  
18 we're not going to embarrass ourselves and send it.

19 The finance committee reviews that list  
20 every month. There's a sit-down with our collections  
21 counsel every month, with the general manager. And  
22 we try to be as consistent in the application as we  
23 can. If there are names and given, again, current  
24 litigation, there are probably some names that -- we  
25 fully reserve allowance for bad debt, dollar for

1       dollar. We run off a cash flow basis.

2                   And if there is a name that suddenly  
3       appears as suspended that disappears, it's because  
4       of, in my mind, one of two things, three things.  
5       They have become totally current. They have a  
6       negotiated payment plan with our general manager,  
7       generally documented and the principals are that you  
8       remain current from this part forward so that you can  
9       use the club. And here's the arrearage. Pick up the  
10      additional money that you would pay monthly to become  
11      clear, or the house is sold and collections are made.

12                   If an individual is foreclosed upon, that  
13      name stays on the list because they are still in  
14      arrears. If the bank picks it up and they're in  
15      arrears, they're on the list, which is why, if you go  
16      to our Website, you'll see a bank or two.

17           Q.    Is there a set date of arrears in which,  
18      amount of time at which the club has determined it  
19      will file litigation against past due members?

20           A.    The process I talked about was the 90-day  
21      demand letter. And then after the 120 with that  
22      response, then we'll make a determination as to  
23      whether we move forward with paperwork. And that's  
24      really worked out with the CFO, the general manager  
25      and Rick.

1           On occasion we do have assistance of a  
2   group of lawyers we call the law committee, you know,  
3   have helped us. I'd say the one thing that we  
4   learned from 2009 on, we needed an advance warning  
5   system. We needed to gather and better our  
6   documentation because it changes and we needed to  
7   understand our legal options.

8           The thing that has changed most  
9   dramatically, and I said this to you earlier, prior  
10   to 2006 and probably into 2007, the need for legal  
11   action was mitigated by real estate turnover. Those  
12   people that may have gotten on the outer edge but had  
13   their homes for sale, because home sales were turning  
14   over, the recovery of arrearages minimized the need  
15   for legal action. Once that real estate  
16   merry-go-round stopped, that's when the negative  
17   impact or diminishing impact on cash flow occurred.

18           Then you get into a situation of trying to  
19   get the biggest bang for your buck and be as  
20   consistent as you can.

21           Q.   You mentioned, before given the current  
22   litigation, there's a push to be consistent. And  
23   would you agree that the debt collection process was  
24   not consistent prior to the litigation process?

25           A.   No, I think I mean that the concern over



1 flexibility, which is what you just laid out here in  
2 terms of Mrs. Leffers, did she make a payment versus  
3 someone who was offered full. We're always willing  
4 to work with people who have concerns and trouble  
5 with payment plans and so on. We're not trying to  
6 post everybody in the clubhouse wall. We think we  
7 become a little more concerned that you can have a  
8 consistent policy but maybe different individual  
9 results. We're careful of it, that's all. Concerned  
10 is the word.

11 Q. You said the board has been open to, I  
12 guess, you said flexibility; open to dealing with  
13 individual members, delinquencies currently. Are you  
14 aware of members asking for some kind of settlement,  
15 being told the club does not negotiate and will not  
16 negotiate.

17 A. I'm not aware of that. I am aware of  
18 certain individuals that have been pursued who tend  
19 to not come back with a counteroffer, but come back  
20 with a counter attack.

21 Q. You're not familiar with members who,  
22 prior to any delinquency, have come to say, I have a  
23 problem, I'm going to have a problem with this, and  
24 being just flatly rejected by the club saying: We  
25 will not negotiate this?

1           A.    I'm not personally aware of it.

2           Q.    That wouldn't be the policy of the board,  
3   in your opinion?

4           A.    The policy of the board certainly is to  
5   try to work with members who have issues financially.  
6   And failing that, failing an acceptable payment plan,  
7   if you will -- let's forget settlement, an acceptable  
8   payment plan, then it will continue.

9                   We have also found there are certain  
10  chronic individuals that no matter how well-meaning  
11  you are, even though you may set one or two plans,  
12  they tend to get violated over time.

13          Q.    Is that any of the people in this  
14  litigation that you're referring to?

15          A.    Referring to relative to?

16          Q.    To the statement you just made about  
17  chronic violators of the plan. Does that include the  
18  Aultons, Applegate, Mercier, Hobson, Dennis, Bayless?  
19  Any of those folks among that group that you're  
20  talking about?

21          A.    From my personal perspective, I think  
22  offers were made -- try it this way. Certainly in  
23  the case of Mr. Hobson, the offer to concede either  
24  of his memberships, I'm not too sure, was fairly  
25  considered.

1           And the case of the Aulton situation, I'm  
2   not too sure why some of the concerns have dragged on  
3   so long. In all cases, there's got to be a point  
4   where, with the exception of Applegate, the decision  
5   or the statement or the action that says, I quit, is  
6   certainly something we have to defend. The whole  
7   essence of the 2001 covenant change was to stabilize  
8   the financial condition of the community. And that  
9   meant that everybody needed to be, in some fashion,  
10  supportive of the amenities that make us who we are.

11           Q.   You realize a lot of the litigation  
12  doesn't include people subject to the 2001 covenants  
13  as far as their membership; that is, they purchased  
14  property prior to 2001.

15           A.   I'm aware of that. The obligation, once  
16  you have a membership, is to continue with it until  
17  reissue.

18           Q.   That doesn't have anything to do with the  
19  covenants; correct? The covenants does not create  
20  that obligation?

21           A.   It was not the requirement of membership  
22  prior to 2001. Once assuming it, I believe -- I  
23  think it fits me too; my obligation continues to the  
24  club until it's reissued.

25           The practical reality of that is, in

1       today's environment and the condition of the resale  
2       list and everything that basically says, as long as  
3       you own that property, you maintain your membership.

4             Q.    Are you contending that the covenants for  
5       you obligate you to create that obligation?

6             A.    No, I'm saying pre-2001.  Once I've owned  
7       a membership and membership plan and the whole  
8       resignation process inclusive of resale list means  
9       effectively it works out to be the same.  Membership  
10      is connected to -- the idea that I would put my name  
11      on the bottom of a list of 75 and see it rise to the  
12      point of, in my lifetime, of sale, you know,  
13      practically works out the same.

14            Q.    Meaning you don't have any expectation  
15      that you could get off the resale list in your  
16      lifetime?

17            A.    Yeah, I think so.  That's a fair  
18      statement.  And that's why --

19            Q.    What age are you?

20                   MR. HAIGHT:  Allow him to finish, please.

21                   THE WITNESS:  That's why the resale list,  
22      per se, is populated by, with the exception of the  
23      concession or pool membership, is populated only by  
24      people who are associated with property.

25      BY MR. McDANIEL:

1 Q. The question I asked, what age are you at  
2 this point?

3 A. Sixty-nine.

4 Q. Do you know who Don Barrett is?

5 A. I know Don and Trish, yeah.

6 Q. I'll represent to you and tell me if this  
7 is correct, when Don sold his house to Jane Cameron  
8 or Jan, she only got a social membership where Don  
9 had a golf membership. Do you know that to be the  
10 case?

11 A. I've seen it in your depositions that you  
12 asked about.

13 Q. Do you know anything about that  
14 transaction? How that would've happened?

15 A. Only after the fact. I don't know how it  
16 would've happened. Her brother is my next door  
17 neighbor now. From what I understand, Mr. Cameron  
18 purchased the golf membership, and Ms. Cameron  
19 purchased a social. Mr. Cameron --

20 Q. Purchased Don Barrett's golf membership?

21 A. The reissue, I would assume. I don't know  
22 the background to it or the details of it. I've only  
23 pieced that together.

24 Q. Do you know of any procedure under the  
25 governing documents that would allow that to happen?

1           A.    I think it's possible.  It has to do  
2   with -- within the last two weeks, I'm aware of the  
3   situation where an individual lived in a house that  
4   is owned by a family member, but he's the member of  
5   record.  There could be a mismatch.  You're into  
6   detail that I'm not aware of.

7           Q.    You don't know how that occurred?

8           A.    No, anymore for the same reason that I  
9   know how Mr. Applegate could've sold a piece of  
10  property that also had a golf membership associated  
11  with it.  Suddenly, that property is associated with  
12  a social.

13          Q.    It happens?

14          A.    Yeah, similar to the Elias thing.  It  
15  happens.

16          Q.    Who would be responsible to make sure  
17  that, when those transactions occurred, who would be  
18  the -- who would be overseeing that?  For instance,  
19  the Barrett case, within the membership, who approves  
20  that?

21          A.    The closing document, I guess, is in  
22  combination approved between real estate agent and  
23  our membership director so that they make sure the  
24  total package is there.

25          Q.    Mr. Barrett's membership never went on the

1 resale list, did it?

2 A. Yes, sir.

3 Q. It did?

4 A. Yes.

5 Q. His golf membership?

6 A. Yeah.

7 Q. Was it reissued later on?

8 A. No, it was -- I think it's Mr. Cameron's,  
9 which is down at the bottom.

10 Q. It's listed as Cameron, not Barrett;  
11 right?

12 A. That's correct.

13 Q. It never went on the resale list under  
14 Mr. Barrett's obligation?

15 A. Not to my knowledge.

16 Q. It wasn't until at some later point  
17 Mr. Cameron has conceded or put his on the resale  
18 list?

19 A. Yeah.

20 Q. I didn't realize he had done that.

21 A. Actually, I don't know when Mr. Cameron  
22 put it on here.

23 Q. Here's the recent one. Number 71. It  
24 indicates it's in the membership pool?

25 A. Yes, sir.

1 Q. How would it have gone into the membership  
2 pool? It doesn't say conceded or expelled.

3 A. I think it was conceded.

4 Q. It's just not indicated on here?

5 A. The fact that it's part of the membership  
6 pool, the fact that this column isn't filled in.

7 Q. Safe to say, all those in the membership  
8 pool are conceded memberships; that is, the person is  
9 no longer obligated to pay dues, fees on those?

10 A. They were conceded, their membership. The  
11 combination of the two offers; the ones back in 2003  
12 and 2010.

13 Q. If you look up at this resale list, you  
14 can pick out the ones who are aren't in the  
15 membership pool, 19 or so those that are not in the  
16 membership pool; the only ones that still,  
17 approximately 19 or so, that are still being required  
18 or sought for dues, fees and assessments?

19 A. Please say that again or ask me that  
20 again.

21 Q. Those listed there under the name  
22 category, where it either doesn't say membership  
23 pool, nor does it say conceded or expelled in the  
24 status, are the only ones of that list -- and we're  
25 looking at exhibit 3 -- that the club's position --



1 let me start over.

2 It's the club's position that those  
3 persons on that list not identified either as  
4 membership pool or conceded, expelled, those  
5 remaining, which I count to be about 19, it might be  
6 20, those are the only ones that the club contends  
7 have ongoing dues, fees and assessments obligations?

8 A. Not only contends, with the exception of  
9 Beauregard, Williams and Hobson, they are all paying  
10 members who own property, and Applegate and Dennis.

11 Q. They continue to be accruing, being  
12 assessed?

13 A. Billed.

14 Q. Billed, exactly, despite the fact that the  
15 50-plus and those that are ahead of them are not  
16 billed for the dues, fees, and assessments; correct?

17 A. They have accepted the concessions of  
18 either the early 2000 or the '6 or '8 and 2010.  
19 Three of them were offered that concession,  
20 Beauregard, Williams and Hobson.

21 Q. Specifically for Cameron that we're  
22 looking at, number 71 on the list, it looks like he  
23 was placed on the list in 2007. He purchased in  
24 2006, at least by this document.

25 I'm wondering if you know of the terms of

1 the reason that he was placed -- that he was allowed  
2 to concede his membership.

3 A. Based on the same overall program that we  
4 offered the other six.

5 Q. You believe that he made a payment --

6 A. Yes.

7 Q. -- or some kind of negotiated settlement?

8 A. Uh-huh.

9 Q. Is that true for John Reid?

10 A. I have no knowledge of Reid.

11 Q. When was Cameron offered that deal, do you  
12 know?

13 A. It would've been the latter part of 2009  
14 because, as I remember it, Mr. Cameron was his real  
15 estate agent, wanted to meet with Brian Lasota. And  
16 Mr. Cameron was about to buy the house next to me on  
17 Callawassie. And he was concerned that he would be  
18 carrying two memberships.

19 And I informed him that Brian and I did,  
20 that this was following the board decision to extend  
21 such a program to disassociate lots of memberships.  
22 If his offer was, I'd like to turn one back to effect  
23 this, it was, you know, it was timely, as he was  
24 trying to buy the house next door, that we had  
25 already begun the program. So we included it.

1 I'm sure Brian documented that one. I  
2 don't know. Like I said, there are some that I can't  
3 explain; Oakley going from here to there. Applegate,  
4 whatever happened at the time.

5 Q. With regard to how Cameron received that  
6 membership to start with, from Barrett; right?

7 A. I have no knowledge of that.

8 Q. With regard to the omnibus agreement, was  
9 there any discussion about getting the members to  
10 vote on that agreement amongst the board?

11 A. There was discussion amongst the board  
12 whether a vote was required. My recollection is we  
13 received an opinion from Weston Newton regarding the  
14 fact that, given the resolution of the disputes and  
15 the positive nature of the resolution, that the board  
16 was authorized to approve the settlement.

17 Q. Without member approval?

18 A. Yeah.

19 Q. I asked you earlier what about the recent  
20 assessments. I understand there's been a recent  
21 assessment to members. How much was that assessment?

22 A. It's a two-year program, \$2,700, three  
23 installments for golfers; \$1,700 for social members  
24 over three installments.

25 Q. Is it your understanding that the approval

1 needed for that -- do you have an understanding of  
2 what the approval vote required is for that?

3 A. I know we have an opinion required for  
4 that.

5 Q. Legal opinion?

6 A. The legal opinion included not only the  
7 approval but the entire process, how we would discuss  
8 it with the membership, et cetera, et cetera.

9 Q. Do you know who gave you that legal  
10 opinion?

11 A. McNair Law Firm. Sarah Robertson.

12 Q. With regard to the change of the club  
13 rules language, which I know you weren't on the board  
14 at that time, would you agree that was a material  
15 change to the rules?

16 MR. HAIGHT: Object to the form.

17 THE WITNESS: No, sir.

18 BY MR. McDANIEL:

19 Q. Would you agree that was adverse to  
20 certain members?

21 MR. HAIGHT: Object to the form.

22 THE WITNESS: No, sir.

23 BY MR. McDANIEL:

24 Q. Would you agree that the effect of that or  
25 the intent of that was to remove the requirement of

1 members being expelled after four months?

2 A. No, sir.

3 Q. What do you believe the intent of that  
4 was?

5 A. I believe to make the total documents  
6 consistent with the intent of the membership plan and  
7 consistent -- and membership plan and covenants and  
8 consistent with practice.

9 As I said earlier, the idea that  
10 membership is required, had to be maintained in good  
11 standing. And to have a sentence taken out of  
12 context inconsistent with even past practices, I  
13 don't know where the four months came from. It  
14 doesn't make sense to me.

15 I don't see it as being materially adverse  
16 or affecting anybody unless their sole purpose in  
17 life was to purchase a piece of property and  
18 membership and say, if I don't have to write a check  
19 for four months, I don't have to write any more.

20 Q. They could've believed that, based on that  
21 document?

22 MR. HAIGHT: Object to the form.

23 THE WITNESS: It's a stretch.

24 BY MR. McDANIEL:

25 Q. What if they were told that by club

1 members?

2 MR. HAIGHT: Object to the form.

3 MR. HUGHES: Object to the form.

4 THE WITNESS: Is there any evidence of

5 that?

6 BY MR. McDANIEL:

7 Q. I'm just saying hypothetical.

8 MR. HAIGHT: Object to the form.

9 MR. HUGHES: Object to the form.

10 BY MR. McDANIEL:

11 Q. Your answer, say again. I'm sorry.

12 A. What's the question again, please?

13 MR. McDANIEL: Wait for the objection so

14 that you're not talking over each other, if you

15 would. They're going to object to the form.

16 Standing objections to that. I want to make sure the

17 record reflects your answer.

18 BY MR. McDANIEL:

19 Q. Hypothetically, if you have an agent of  
20 the club also telling a joining member or past member  
21 of this four months and you'll be expelled, and this  
22 term in the rules stating that, would you agree that  
23 a member might be reasonable to believe that?

24 A. No.

25 MR. HAIGHT: Object to the form.

1 MR. HUGHES: Object to the form.

2 BY MR. McDANIEL:

3 Q. If it's not reasonable, and you don't  
4 believe -- strike that. Let me ask it this way.

5 Do you believe that a change were to have  
6 said a member would be expelled after four months --  
7 if that had been how it was written consistently --  
8 changed to say may be expelled, in that instance,  
9 that change would be materially adverse to the  
10 member?

11 MR. HUGHES: Object to the form.

12 THE WITNESS: I don't understand.

13 BY MR. McDANIEL:

14 Q. Let me see if I can clarify it. Were the  
15 documents previously, in your opinion, consistent and  
16 all of them consistently said that a member would be  
17 expelled after four months of delinquency, you found  
18 that referenced throughout the documents, the club  
19 documents --

20 MR. HAIGHT: Object to the form.

21 MR. HUGHES: Object to the form.

22 MR. McDANIEL: You're objecting to a  
23 hypothetical? What's the objection?

24 MR. HUGHES: Identify the documents you're  
25 referencing and identify the provision you're

1       referencing of the documents, if you're going to hold  
2       the witness to a standard that incorporates all the  
3       provisions of those agreements.

4       BY MR. McDANIEL:

5             Q.    It's easy enough. I thought that was kind  
6       of obvious.

7             A.    I'm slow.

8             Q.    You're not slow. That's not true.

9                    Hypothetically, if the plan of offering,  
10       the club rules and the bylaws were all consistently  
11       indicating that a member would be expelled after four  
12       months --

13                   MR. HAIGHT: Object to the form. That's  
14       not what they say.

15       BY MR. McDANIEL:

16             Q.    It's a hypothetical. You understood  
17       that's a hypothetical?

18             A.    I understand hypothetical, I mean.

19             Q.    Let me finish the question then you can  
20       answer how you would like to answer, see if we can  
21       get an answer.

22                   Assuming that those documents were  
23       consistent in 2001 to say that a member had to be  
24       expelled and, upon the delinquency of four months,  
25       that they shall be expelled, would you agree that a



1 change at some later point to change those to say may  
2 be expelled would be merely adverse to the member?

3 MR. HAIGHT: Objection.

4 MR. HUGHES: Your hypothetical is  
5 incorrect hypothetical. You are assuming facts that  
6 are nowhere in evidence.

7 MR. McDANIEL: That's what a hypothetical  
8 is.

9 MR. HUGHES: You are mischaracterizing  
10 documents in your hypothetical that do not say what  
11 you say they are.

12 MR. McDANIEL: That's because it is  
13 hypothetical. Do you understand that term?

14 MR. HUGHES: You can't make up documents  
15 and say they have consequences.

16 MR. HAIGHT: This is law, not science  
17 fiction.

18 MR. McDANIEL: You can ask hypothetical  
19 questions.

20 MR. HUGHES: You are entitled to engage in  
21 fantasy in the form of a hypothetical question.

22 MR. McDANIEL: Yes, I am.

23 MR. HUGHES: No, you're not.

24 BY MR. McDANIEL:

25 Q. Go ahead and answer.

1           A.    Your hypothetical only makes sense to me  
2    if the fundamental documents, bylaws and covenants  
3    say, which they do not, that you do not have to  
4    maintain a membership in good standing.  If that was  
5    said, which they do not, then whatever discipline is  
6    carried out later in those documents or whether it's  
7    later or consistent with, in my opinion, I understand  
8    your question, were disagreed with, the hypothetical  
9    is we don't start from the top, which is the  
10   overriding, in my opinion, governing situations,  
11   which is the maintenance and/or the resale obligation  
12   and continuation of dues.

13                If they were all consistent from the  
14   get-go, yeah, I'd have to agree.  But one little  
15   cherry pick nit down here inconsistent with the rest  
16   doesn't make sense to a dumb engineer.

17           Q.    I understand you believe there's an  
18   inconsistency.  I'm not arguing that point.

19                Hypothetically, if they weren't  
20   inconsistent -- we can even remove the covenants.  
21   Say the covenants weren't in place.

22           A.    Within the general rules you have an  
23   inconsistency.

24           Q.    Were that not the case, were the rules not  
25   inconsistent --

1 MR. HAIGHT: Object to the form.

2 BY MR. McDANIEL:

3 Q. The rules, the bylaws and the plan of  
4 offering, you would agree that changing that would  
5 be --

6 A. No, I would not.

7 Q. -- materially adverse?

8 A. No, sir, I don't know how many times I can  
9 say no.

10 Q. I just want to make sure I understand.

11 A. You want to make sure you get an answer  
12 that you want.

13 Q. If you say you understand the hypothetical  
14 and you don't believe --

15 A. I think I just responded to it.

16 Q. I'm just not clear as to what that  
17 response is. If you're saying that you understand  
18 the hypothetical -- do you?

19 A. Quite honestly, no.

20 Q. That's where I want to make sure we're  
21 clear. If you take away the inconsistency, if you  
22 believed that the original documents, the 2001  
23 documents clearly indicated in all the governing  
24 documents of the club that it is required that a  
25 member shall be expired, if that were the case -- I

1 understand you don't believe that's the case; your  
2 counsel certainly doesn't -- if that were the case,  
3 if the bylaws, plan offering, the general club rules,  
4 you believe they were consistently saying that and it  
5 was later changed to indicate that a member may be  
6 expelled after four months, would you agree that  
7 change would be a materially adverse change to the  
8 member?

9 A. No.

10 MR. HAIGHT: Object.

11 MR. HUGHES: Object; improper.

12 THE WITNESS: If you want me to say, as a  
13 logical person, if all the documents in the beginning  
14 were consistent, then any change, yes, may or may not  
15 be materially adverse.

16 BY MR. MCDANIEL:

17 Q. Right, I agree you have to weigh each  
18 change.

19 A. The fact of the matter is, at least as I  
20 think of this, they weren't.

21 Q. They weren't what? Inconsistent or  
22 adverse?

23 A. They weren't consistent. And the only  
24 thing that's adverse is to argue the other side of  
25 the coin; that it is adverse to an individual. I

1 would argue, anybody uses that argument, it's kind of  
2 adverse to the club. We have people who are honoring  
3 the totality of the agreement and suddenly people  
4 decide just to leave.

5 Q. You mean 51 people who are not paying  
6 dues.

7 MR. HAIGHT: Allow him to finish.

8 THE WITNESS: Is there a question?

9 BY MR. McDANIEL:

10 Q. Yeah, you're talking about the -- you're  
11 saying people that are required. You're talking  
12 about just the few that are required, not the big  
13 group let-out.

14 A. I think we are dealing with a consistent  
15 application. And those that were let out, for the  
16 most part, were those that were unassociated with  
17 property, which is the fundamental leaving the  
18 accrual. Accruing memberships back in 2000 whatever.

19 Q. What kind of changes would you agree or do  
20 you believe are adverse to the members? Changes to  
21 the governing documents specifically. What type of  
22 changes could be made to fit into that category of  
23 adverse?

24 A. I really don't understand your question,  
25 I'm sorry.

1 Q. If changes are made to the governing  
2 documents.

3 A. If they're adverse and material, that  
4 describes it.

5 Q. I'm just wondering, can you think of any  
6 rule changes that would fit into that category in  
7 your thinking?

8 A. Take away the right to certain people's  
9 votes or whatever.

10 Q. Do you believe that taking away the  
11 obligation, the taking away or changing the  
12 provisions so that someone can be obligated beyond  
13 four months is not adverse to them?

14 MR. HAIGHT: Object to the form.

15 BY MR. McDANIEL:

16 Q. Whether you have or haven't, do you think  
17 that would be adverse? You wouldn't concede that's  
18 an adverse to somebody that they no longer have to --

19 A. We're just kind of circling around here.

20 Q. You won't answer. You won't answer the  
21 question.

22 A. Huh?

23 Q. You won't answer that question. You're  
24 contending that is not --

25 A. I'm contending that shall or may, the

1 inconsistent is not adverse. You're asking me: Is  
2 it adverse not to throw somebody out and stop sending  
3 them a check after four months? Is that an adverse  
4 effect? And I would say it's an adverse effect on  
5 the magnitude and the totality of the membership.

6 Q. Anytime somebody stops paying, the  
7 membership going to be affected by that; right?

8 A. That's correct.

9 Q. I think --

10 A. We agree on that.

11 Q. That's clear.

12 When Callawassie Island Club, when the  
13 developer stopped paying on all those, that was  
14 adverse.

15 MR. HAIGHT: Object to the form.

16 BY MR. McDANIEL:

17 Q. You just said it was. That's the same  
18 situation.

19 MR. HAIGHT: Object to the form.

20 MR. HUGHES: Stop mischaracterizing the  
21 man's testimony.

22 MR. HAIGHT: This is approaching  
23 harassment; very close.

24 MR. HUGHES: You are consistently  
25 mischaracterizing testimony to serve your own need.

1 You are not entitled to do that. Stop it.

2 BY MR. McDANIEL:

3 Q. You can answer.

4 MR. HUGHES: Or else we'll instruct him  
5 not to answer.

6 THE WITNESS: What's the question?

7 BY MR. McDANIEL:

8 Q. You earlier testified it's adverse to the  
9 entire membership when members stop paying.  
10 Likewise, it's adverse when the developer doesn't  
11 pay.

12 MR. HUGHES: Object to the form.

13 THE WITNESS: The loss of revenue from the  
14 developer was an adverse effect. The settlement was  
15 a positive effect on the overall because it  
16 eliminated it.

17 BY MR. McDANIEL:

18 Q. It's both?

19 A. No, no, it's --

20 Q. The situation --

21 A. Don't give me both.

22 MR. HAIGHT: Object to the  
23 mischaracterization again. He answered the question.  
24 You're attempting to ask it again. You're trying  
25 very hard to get a different answer but you won't.



1 MR. McDANIEL: You need to stop yelling.

2 Calm down.

3 MR. HAIGHT: I'm not yelling, Brian. I'm  
4 just trying to be heard over you a little bit. This  
5 is getting ridiculous. It is approaching harassment.

6 MR. McDANIEL: It's not approaching  
7 harassment. I'm asking him questions. He said it  
8 was this and this. I said: Is it both? That's not  
9 a mischaracterization. I'm asking him to clarify.

10 THE WITNESS: The net effect was positive  
11 for the club because it's a settlement.

12 BY MR. McDANIEL:

13 Q. Do you believe that it is adverse to a  
14 member's rights for them to be obligated to dues --  
15 let me ask you this.

16 What do you believe a member's rights to  
17 resign are at this point in the club?

18 A. Per the club documents, which says you  
19 either do one of two things. You put it on the  
20 resale list or your obligation exists until your  
21 property is sold.

22 Q. On the resale list, to sell on the resale  
23 list, is there an obligation they continue to pay  
24 dues, fees, and assessments?

25 A. That's the rules of the game.

1 Q. Until such time as it's sold?

2 A. Reissued.

3 Q. Is their membership resigned at that  
4 point? At what point is it resigned? Is there a  
5 time?

6 A. The definition of resigned, as I  
7 understand it, to declare your intention to resign,  
8 placed on the resale list. And resignation is final  
9 when that membership is reissued.

10 Q. What, if any, benefit is there to  
11 resignation to a member?

12 A. I would say in 2001, when membership  
13 wasn't required, you could, in fact, try to sell your  
14 membership. The practical nature of pre-2001 is that  
15 you sell your membership with the land.

16 Q. We're talking about resignation. I don't  
17 understand the transition you made from selling to  
18 resigning. Help me bridge that gap.

19 A. Prior to 2001, resignation meant you could  
20 put your name on the resale list because there was no  
21 requirement to continue to own.

22 Q. So your obligations would end --

23 A. Practically now, the ability to sell your  
24 membership really is a matter of selling it with your  
25 property just as the post-2001 membership. That's

1 the practical reality of the way the island has  
2 evolved.

3 Q. I'm not sure I understand. You're saying  
4 prior to 2001, when you resign a membership, does the  
5 person have ongoing dues and fees and assessments?

6 A. Until it's reissued.

7 Q. The pre-2001 difference you're talking  
8 about is --

9 A. The ability to put it on the resale list.  
10 After 2001, unless I've misread the membership plan  
11 that basically says: Members purchasing after 2001  
12 cannot resign their membership.

13 Q. You're saying, if they're not current on  
14 their dues, fees and assessments?

15 A. I'm sorry. That doesn't have a thing to  
16 do with it.

17 Q. Even if they're current, they can't go on  
18 the resale list after 2001?

19 A. That's correct. That's on the membership  
20 plan.

21 Q. Obviously, that's not a benefit to them,  
22 to the members, of resigning. Do you know of any  
23 benefits to the membership, unless I'm not  
24 understanding.

25 MR. HAIGHT: Object to the form.

1 BY MR. McDANIEL:

2 Q. A benefit of resigning. What benefit  
3 might accrue or be to a member for resigning their  
4 membership?

5 MR. HAIGHT: Again, object to the form.

6 THE WITNESS: That's the process. Does  
7 there need to be a benefit?

8 BY MR. McDANIEL:

9 Q. I guess I'm just asking the question.

10 A. I understand.

11 Q. I thought it was a yes or no question as  
12 far is there a benefit to the membership. Do you  
13 know of a benefit that goes to the member from  
14 resigning their membership?

15 MR. HAIGHT: Object to the form.

16 THE WITNESS: Not right now. It just  
17 declares your intention to sell.

18 BY MR. McDANIEL:

19 Q. You don't have to resign to do that;  
20 right?

21 A. No, just a reason some of the resale is  
22 deleted with the sale of property.

23 Q. Can you think of any reason someone would  
24 resign their membership?

25 A. Prior to 2001, I believe people -- I

1 believe people felt that the length of time it would  
2 take their membership, if they threw their name on  
3 early but continued to pay, they might be able to  
4 turn their membership over quicker. That's all. And  
5 some people would like to, prior to 2001, have  
6 relinquished the membership and still stay on the  
7 island and, practically, that's not the case.

8 Q. They could have done that just with the  
9 resale list; right? They didn't have to resign?

10 A. Excuse me. You get on the resale list by  
11 resigning. The declaration of your intention to  
12 resign, that's what it says in membership.

13 Q. After 2001, can you get on the resale list  
14 absent resigning?

15 A. No, you can't get on the resale list.  
16 That's what the membership plan says, if you want to  
17 pull it out.

18 Q. The benefit would be -- I don't want to  
19 put words in your mouth.

20 A. I think we've already said right now what  
21 you're looking for.

22 Q. Let me ask the question. I haven't asked  
23 the question yet.

24 A. I think you've asked it several times. Go  
25 ahead.

1           Q.    I was just going to say, after 2001, to  
2   get on the resale list, you would have to resign;  
3   correct? I think you said that.

4           A.    Have you read the membership plan?

5           Q.    I have.

6           A.    After 2001, there is a paragraph in there  
7   that says members purchasing after 2001 can not  
8   resign their membership. They sell their membership  
9   with their property.

10                Further, the covenants say you own the  
11   membership as long -- you own and maintain in good  
12   standing the membership as long as you hold the  
13   property after 2001.

14           Q.    It's your understanding that a member  
15   cannot resign until they have sold their property?

16           A.    That I believe is what the intent of the  
17   covenant change was and what the membership plan says  
18   consistently.

19           Q.    What is the current process by which  
20   someone resigns their membership?

21           A.    They declare their intention to resign, if  
22   they're a pre-2001, and name goes on the list to the  
23   bottom.

24           Q.    It is actually resigned at the point when  
25   it sells from the resale list?

1           A.    Before it gets all the way to the top, I  
2    sold my property and I make a condition of sale of  
3    membership, my name drops off the resale list, and  
4    I've ended my obligation.

5           Q.    I think I understand.

6                   What's the current debt held by the club?

7           A.    Last time I looked, it's about \$5.3  
8    million, which has been totally approved by  
9    membership vote, 80/20 in both cases. And members of  
10   record, whether they're on the resale list or not,  
11   are obligated to also pay the debt service.

12          Q.    If the club defaults, you believe that the  
13   members have personal liability?

14          A.    I don't know about that. What I'm saying,  
15   if you're a member, you're being billed both dues and  
16   debt service.

17          Q.    How is that figured? Is that part of your  
18   dues?

19          A.    Separate line item.

20          Q.    Give me one minute. Let me look through  
21   my notes for a second to make sure.

22                   One final area I'm going to ask you about.  
23   I think I may have asked you this already. Are you  
24   aware of any other litigation before 2009 by  
25   Callawassie Island Members Club against its members,

1       against any member?

2               A.    Not that I'm aware of specifically.  As I  
3       told you, the collection process was really driven by  
4       the real estate turnover.  The number of times that  
5       might've been attempted, generally payment came in,  
6       closing on the property.

7               MR. McDANIEL:  That's all I have.  Your  
8       attorneys may have a couple questions for you.

9               (A recess transpired from 4:56 p.m. until  
10      5:02 p.m.)

11              MR. HUGHES:  No questions.

12              (The witness, after having been advised of  
13      his right to read and sign this transcript, does not  
14      waive that right.)

15              (The deposition was concluded at 5:02  
16      p.m.)

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1 SIGNATURE OF DEPONENT

2 DEPONENT: GEORGE H. SWITZER, III

DEPOSITION DATE: February 7, 2013

3 REPORTER: LORA L. McDANIEL

CASE CAPTION: Callawassie Island v. Aulton

4

5 (Please return both Signature of Deponent pages.)

6 I, the undersigned, GEORGE H. SWITZER,

7 III, do hereby certify that I have read the foregoing

8 deposition and find it to be a true and accurate

9 transcription of my testimony, with the following

10 corrections, if any:

| 11 | PAGE | LINE | CHANGE | REASON |
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1 SIGNATURE OF DEPONENT (CONTINUED)

2 DEPOSITION DATE: GEORGE H. SWITZER, III

REPORTER: LORA McDANIEL

3 CASE CAPTION: Callawassie Island v. Aulton

4

5 PAGE LINE CHANGE REASON

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WITNESS Date

12

13 I, Lora L. McDaniel, Notary Public for the  
 14 State of South Carolina at Large, do hereby certify  
 that the deponent was advised of his or her right  
 15 to read and sign said deposition both verbally and  
 in writing. If the deponent fails to execute and  
 16 return foregoing Signature of Deponent pages within  
 the thirty (30) days allowed pursuant to the Rules  
 of Civil Procedure, the original transcript may be  
 17 filed with the court.

18

19

20

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22

23

24 Lora L. McDaniel  
 My Commission expires  
 25 September 18, 2016

1  
2 CERTIFICATE OF REPORTER  
3

4 I, Lora McDaniel, Registered Professional  
5 Reporter and Notary Public for the State of South  
6 Carolina at Large, do hereby certify that the  
7 foregoing transcript is a true, accurate, and  
8 complete record.

9 I further certify that I am neither related  
10 to, nor counsel for, any party to the cause pending  
11 or interested in the events thereof.

12 Witness my hand, I have hereunto affixed my  
13 official seal this 19th day of February, 2013 at  
14 Charleston, Charleston County, South Carolina.  
15  
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22 \_\_\_\_\_  
Lora L. McDaniel,  
23 My Commission expires:  
September 18, 2016  
24  
25

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12 (No Information Requested)

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STATE OF SOUTH CAROLINA )  
COUNTY OF BEAUFORT ) COURT OF COMMON PLEAS  
CASE NO.: 2012-CP-07-03209

CALLAWASSIE ISLAND MEMBERS )  
CLUB, INC., )

PLAINTIFF, )

vs. )

TRANSCRIPT OF RECORD

GRACE I. FREY AND MICHAEL J. )  
FREY, )

DEFENDANTS. )

---

CALLAWASSIE ISLAND MEMBERS )  
CLUB, INC., )

CASE NO.: 2012-CP-07-03216

PLAINTIFF, )

vs. )

SHERRY B. QUINN AND )  
MARK K. QUINN, )

DEFENDANTS. )

---

CALLAWASSIE ISLAND MEMBERS )  
CLUB, INC., )

CASE NO.: 2012-CP-07-03218

PLAINTIFF, )

vs. )

REBECCA L. MARTIN AND )  
GREGORY L. MARTIN, )

DEFENDANTS. )

---

May 19, 2014

Beaufort, South Carolina

B E F O R E:

HONORABLE J. ERNEST KINARD, JR., JUDGE.

A P P E A R A N C E S:

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## EXHIBITS

None.



1           **THE COURT:** All right. Callawassie versus Frey, I  
2 guess.

3           **MR. HAIGHT:** Yes, Your Honor. We're here on behalf  
4 of the plaintiff.

5           **THE COURT:** Good for you.

6           **MR. MCDANIEL:** We're here on behalf of the defendant,  
7 Your Honor.

8           **THE COURT:** All right.

9 All right. These are three cases just alike; right?

10          **MR. HAIGHT:** Yes, Your Honor.

11          **MR. MCDANIEL:** They are similar, Your Honor. They  
12 just have a little bit of different facts based on the  
13 dates that the members joined.

14          **MR. HAIGHT:** Your Honor, may it please the Court?  
15 Yeah, as far as the facts go, we don't think that there  
16 are any facts that are different that really make any  
17 difference, so we would prefer to argue this as one, ---

18          **THE COURT:** All right.

19          **MR. HAIGHT:** --- for purposes of judicial economy and  
20 otherwise.

21 Your Honor, we submitted a notebook to you. I don't  
22 know if you've had a chance to review that.

23          **THE COURT:** Oh, yeah, I've read it six times.

24          **MR. HAIGHT:** Once would have probably been  
25 sufficient, Your Honor.

1           **THE COURT:** Once is all I read it, and I only read  
2 one of them. I didn't read all three. They looked like  
3 the same thing.

4           **MR. HAIGHT:** And, essentially, they are. That's our  
5 position.

6           I'll try to make my introduction brief, since you  
7 have had the opportunity to review our notebook. Suffice  
8 it to say that our client, Callawassie Island Members Club  
9 ---

10          **THE COURT:** Hold it.

11           My law clerk, you read all three of them; didn't you?

12          **LAW CLERK:** I did.

13          **THE COURT:** See? He didn't know any better. All  
14 right.

15          **MR. HAIGHT:** We're ahead of the game, then.

16           Our client is a 501(c)(7) Mutual Benefit Non-profit  
17 Corporation. It owns the golf club and other amenities at  
18 Callawassie Island for the benefit of its members and has  
19 since 2001.

20           It actually was formed in 1999, but it really did not  
21 truly come into being until it acquired the assets of the  
22 club in 2001. It acquired the assets from the Callawassie  
23 Island Company, L.P., which was the developer and also  
24 controlled the club at that time, which was called the  
25 Callawassie Island Club. It had always been contemplated

1 that at some point, you know, the members would vote and  
2 acquire the assets, and that's essentially what happened  
3 in 2001.

4 All of the people -- well, let me say this. The  
5 Callawassie Island Company, its club, has governing  
6 documents that go back from 1994. They have a plan for  
7 offering memberships, bylaws, general club rules.

8 These were the documents that were in place when all  
9 three of the defendant couples purchased their  
10 memberships. So, we really do think that these are  
11 substantially similar in any material respect.

12 The Freys acquired their membership in 1995. At the  
13 time they acquired their membership, they signed an  
14 application and agreement, which are attached to the  
15 Verified Complaint.

16 And in that application, in Paragraph One, they  
17 agreed to be bound by the membership plan, as the same may  
18 be amended from time-to-time. Similarly, they signed an  
19 agreement, in which they agreed to be bound by the  
20 membership plan and exhibits to the membership plan.  
21 Those exhibits included the bylaws and the general club  
22 rules, and that was the version in effect as of July of  
23 1994.

24 And Page Seventeen of that document provides that it  
25 can be amended and how it can be amended. So, at the time

1 they acquired, there were governing documents in effect  
2 that indicated they could be amended, and they agreed to  
3 that.

4 Similarly, the Martins acquired their membership in  
5 February of 2001, which was before the turn-over to our  
6 client, which was later in the year. And they signed an  
7 application similar to the one signed by the Freys, where  
8 they agreed to be bound by the membership plan, as it may  
9 be amended.

10 The Quinns purchased in 1997. Like the Freys, they  
11 signed an agreement where they agreed to the plan. These  
12 are all attached to the Verified Complaint.

13 I don't think there's any dispute they signed these.  
14 We think these agreements are unambiguous. We think the  
15 plan and the other governing documents are unambiguous.

16 The couples involved, the Freys, the Martins, and the  
17 Quinns remained members for many years. They remained  
18 members after the turn-over to the membership club, our  
19 client.

20 They took advantage of the benefits of the club for  
21 many years. They dutifully paid their dues and other fees  
22 for many years. It's more recently that they have not.

23 And what's important to note about the governing  
24 documents, in the 1994 documents at the time they  
25 purchased, it was clear that a member's obligation to pay

1 dues and other charges, and I'll just call them dues,  
2 continues until the memberships are reissued to a new  
3 member. So, even if they've resigned, as long as they  
4 still hold that membership, they hold the responsibilities  
5 for it. That was the case in 1994. That is the case  
6 today, and it has been the case at every point between  
7 1994 and today.

8 Now, Your Honor is well aware of the standard of  
9 review on summary judgment. I think what's particularly  
10 important to note for purposes of our case is for the  
11 construction of a written contract, the question is one of  
12 law if the language employed by the agreement is plain and  
13 unambiguous. And, again, we assert plain and unambiguous,  
14 and it has been since 1994, if not earlier. But for  
15 purposes of this case, that's what matters.

16 Again, our Memorandum, which has been submitted, sets  
17 forth excerpts from the plan and other governing documents  
18 that show what those requirements were during the time  
19 they acquired and today. And, again, we don't believe  
20 there's any ambiguity.

21 Now, the defendants are going to claim that their  
22 purported resignations, or in their reviewed allegedly  
23 required expulsions, terminate any further obligation on  
24 their part. Well, there are a number of problems with  
25 that.

1           First, there is no provision in the governing  
2 documents for that proposition. In fact, it's quite the  
3 opposite. The obligation to continue to pay is what's in  
4 those documents, not what they assert is in those  
5 documents. And similarly, if a contract must be read as a  
6 whole, if all these documents are read as a whole, it's  
7 clear that what they say is in there, isn't in there.

8           Now, what they will probably argue is that they  
9 should have been expelled under some language in the  
10 general club rules. These are the general club rules from  
11 2001. In the version that was in effect until 2007 in  
12 Paragraph 13.3.1, it uses language that says: Shall be  
13 expelled.

14           Again, they make a leap of logic saying that means  
15 that they're excused from paying any further dues and  
16 fees, which it doesn't say. There's absolutely nothing in  
17 there that says that they have no further obligation.

18           But what's important to note, too, is since 2007 when  
19 the rules were amended, it just said: May.

20           It hasn't said: Shall.

21           And for these defendants, the Freys, their oldest  
22 unpaid balance is from October of 2009. Their last  
23 payment was in November of 2011. This was years after  
24 that "shall" language that they point to was gone from the  
25 governing documents.

1           The Martins, their oldest unpaid balance is from  
2 November of 2011. Their last made payment was February of  
3 2012.

4           The Quinns' oldest balance, unpaid balance, is from  
5 December of 2009. And their last payment was in May of  
6 2010.

7           Clearly, in all instances, long after the rules were  
8 changed from "shall" to "may" in that particular -- and  
9 clearly, they were in good standing well past that. So,  
10 that argument, one, is just flat wrong on account of what  
11 the documents say, and even in 2001. But for purposes of  
12 these folks, you know, there was no possible trigger of  
13 that obligation, if it is an obligation, until long after  
14 that "shall" language was removed.

15           Now, they will also argue that the Non-profit  
16 Corporation Act, 33-31-620, in particular, prohibits  
17 continuing obligations after resignation. In our view,  
18 they are simply ignoring the statute when they make that  
19 claim.

20           They don't read Subparagraph B, which says: The  
21 resignation of a member does not relieve a member from any  
22 obligations the member may have to the corporation as a  
23 result of obligations incurred or commitments made before  
24 resignation.

25           And that's exactly what we're talking about here.

1 And there's similar language in 33-31-621(e) and the  
2 comments to both statutes, which, you know, has been  
3 mentioned in our Memorandum.

4 Now, the defendants will also claim: Well, they  
5 can't resign.

6 Well, they can resign. And what they need to do to  
7 effectively resign is sell their property, with their  
8 membership.

9 Now, the Freys just have a lot. The Martins and  
10 Quinns have houses, developed lots, and they have  
11 memberships. Since 2001, it's not really before the Court  
12 in this case, but since 2001, CIPOA, which is the  
13 Callawassie Island Property Owners Association, has had a  
14 mandatory provision in their declaration, which requires  
15 that any new purchaser of a lot in Callawassie also has to  
16 obtain a club membership.

17 So, under those circumstances, these folks, they can  
18 get out at any time. They just simply need to sell their  
19 property, their real property, with their membership. For  
20 whatever reason, they've chosen not to do so.

21 They might say: Oh, well, we don't like the price.

22 But that really isn't an option. Price shouldn't be  
23 an option, even if they have to come to the table with  
24 money, that shouldn't be an option.

25 What's important is they can effectively end their



1 involvement with Callawassie by selling the real property  
2 and their membership simultaneously. They have chosen not  
3 to do so.

4 Now, if Your Honor will permit, Mr. Young from  
5 Howell, Gibson, and Hughes would like to address the  
6 remaining counterclaims that the defendants have.

7 **THE COURT:** All right.

8 **MR. HAIGHT:** There have been various other ones that  
9 have been dismissed by earlier orders, and we have copies  
10 of those if you need them, but Mr. Young would like to  
11 address the counterclaims.

12 **THE COURT:** Okay.

13 **MR. YOUNG:** Thank you, Your Honor. May it please the  
14 Court?

15 Bill Young here, again, for the Plaintiff, the  
16 Callawassie Island Members Club. By way of background,  
17 the only counterclaims that remain are those of negligent  
18 misrepresentation and for breach of contract, whereby the  
19 defendants are seeking an accounting. The remaining  
20 claims have previously been dismissed by Judge Mullen.

21 I'll very briefly explain why these claims are  
22 subject to summary judgment. As far as the negligent  
23 misrepresentation claim goes, as you are no doubt aware,  
24 the elements are a false representation by the defendant  
25 to the plaintiff, a pecuniary interest by the defendant in

1 making that statement, a duty of care owed by the  
2 defendant to see that the truthful information is  
3 communicated to a plaintiff, a breach of that duty by the  
4 defendant, the plaintiff's justifiable reliance on that  
5 representation, and finally, that the plaintiff suffered a  
6 pecuniary loss as a result of that justifiable reliance.

7 As Mr. Haight previously stated, the defendants here  
8 joined the Callawassie Island Club prior to the  
9 Callawassie Island Members Club coming into effect or  
10 taking control of the club assets. So, it's very simple.  
11 These -- these three defendants, or these three couples of  
12 defendants, incurred their obligations prior to CIMC being  
13 in existence; therefore, there is no way, it's an  
14 impossibility, for anyone on behalf of CIMC to have made a  
15 representation to them for CIMC to have a pecuniary  
16 interest. If CIMC doesn't exist, they don't owe a duty to  
17 anyone, and so for those reasons, the claim for negligent  
18 misrepresentation is fatal.

19 However, it doesn't end there. Another necessary  
20 element is the justifiable reliance on certain statements.  
21 And our courts, our appellate courts, have consistently  
22 held that in an arms length transaction among  
23 sophisticated entities, there can be no justifiable  
24 reliance.

25 In our case, these members, they signed multiple

1 documents. The 1994 plans, which they originally became  
2 obligated, stated to review the documents carefully, to  
3 consult legal counsel, if necessary, not to rely upon any  
4 representations made by anyone about anything contained in  
5 the documents, and to solely rely upon the information  
6 contained in the plan and its exhibits. So, it -- it's  
7 strange credulity to believe that there could be any  
8 justifiable reliance there, when they are told in black  
9 and white, short and simple, look at these documents,  
10 don't rely upon anything else. And that's what our courts  
11 have held with regard to reliance upon that.

12 The members -- defendants have also alleged as part  
13 of their complaint a number of issues that they have with  
14 Callawassie Island Members Club. To the extent those  
15 matters are related to conduct after they became members,  
16 a negligent misrepresentation claim is not the appropriate  
17 avenue to remedy those issues.

18 First of all, a negligent misrepresentation claim  
19 would have to come about as far as when they entered into  
20 the contract, not thereafter where they were already  
21 obligated. Secondly, our statutory authority and our case  
22 law provides that (a), if you have a problem with what a  
23 non-profit corporation is doing, you must assert it  
24 through a derivative action, which they have not done  
25 here. Secondly, if the actions they are complaining of

1 are related to the inner workings of the non-profit  
2 corporation, those intervenous actions are not subject to  
3 judicial review absent a showing of bad faith, fraud,  
4 self-dealing, what have you.

5 And that burden is on the party challenging the  
6 action to demonstrate self-dealing, fraud, bad faith. The  
7 corollary to that is also that any inner workings of the  
8 club are subject to the Business Judgment Rule. And the  
9 actions are deemed to be in the best interest of the club,  
10 absent some showing otherwise.

11 Again, that burden is on the defendants, the  
12 counterclaiming plaintiffs in this case, to make that  
13 showing. They have not done so here.

14 Although they have submitted affidavits in opposition  
15 to these motions, those affidavits really only go to the  
16 -- to the Callawassie Island motions to collect. They  
17 don't relate to the defendants' counterclaims. So, they  
18 have offered no evidence to support their counterclaims,  
19 despite the fact that we have moved for summary judgment.

20 Very quickly on the breach of contract and asking for  
21 an accounting. They haven't offered any evidence, any  
22 support for the notion that they are entitled to an  
23 accounting. They haven't offered any -- any argument as  
24 to what they believe has wrongfully been done with their  
25 funds. There's nothing beyond the mere allegations in

1 their complaint to support this claim, and as you are well  
2 aware, that's insufficient to survive a motion for summary  
3 judgment.

4 And I'm happy to answer any questions you have.

5 **THE COURT:** No. No questions.

6 **MR. HAIGHT:** Your Honor, if I could just kind of wrap  
7 up the plaintiff's side of this motion? Mr. Young  
8 mentioned the affidavits. If the Court reviews the  
9 affidavits submitted by the defendants, it's clear that  
10 they are just a recitation of misreadings of clear and  
11 unambiguous contract documents, and they really have no  
12 affect on the analysis of this case.

13 What is important to note is that plaintiff has  
14 submitted affidavits, additionally, a Verified Complaint  
15 sets forth what's owed. More recently, at the time of  
16 filing motion affidavits setting forth what was owed at  
17 that time, and we actually do have supplemental affidavits  
18 that bring it up here to obviously closer to the hearing  
19 date. We're happy to submit those. They've just been  
20 filed.

21 If Mr. McDaniel has any major objection, Your Honor,  
22 you can simply look at the affidavits filed at the time of  
23 the filing of the motion, but really all they do is update  
24 the numbers. And certainly, it's our position that we're  
25 entitled to judgment against these folks, summary judgment

1 against these folks, for the full amount owed, because  
2 they've submitted nothing to contest the numbers where  
3 they've said: Wait, I made a payment on this date and  
4 it's not reflected.

5 There is none of that in this case. Their sole claim  
6 with regard to the numbers owed is: Well, we think we  
7 should have been expelled, and thus, had no further  
8 obligation.

9 That's their argument as to why they don't owe the  
10 amount set forth in these affidavits. And that -- that's  
11 simply the extent of it.

12 So, we would ask Your Honor for summary judgment.  
13 We're dealing, in our view, with clear and unambiguous  
14 documents, and we believe our client is entitled to the  
15 relief sought. Thank you.

16 **THE COURT:** All right.

17 **MR. MCDANIEL:** And we would object to any late filed  
18 affidavits that we haven't received. As the rules  
19 require, we receive them prior to the hearing.

20 I passed up the Memos I have for the -- for each of  
21 the three cases and just a bundle of exhibits. I believe  
22 you're familiar with this. You've looked at these before.  
23 This would be the copy for counsel.

24 **MR. HAIGHT:** Which I'm receiving for the first time.

25 **MR. MCDANIEL:** Your Honor, the three Memos are on top

1 with the exhibits, sideways it has an index there.  
2 Essentially, it's the exhibits with the governing rules,  
3 the depositions, and is the Interrogatories that we have  
4 put in and Request for Production.

5 Your Honor, as to these three motions, they are  
6 different. The documents that were signed by the three  
7 defendants are different. I think if the Court looks at  
8 that, it will be seen that there is actually a difference  
9 in what they signed.

10 There are a number of allegations that the plaintiff  
11 has made that we would contest, and I think a review of  
12 the documents will show they are not supported. Attached  
13 exhibit, the purchase agreement or the application  
14 suggests or says that they will be bound by the covenants,  
15 rules, and obligations, as they have said in their motion,  
16 as those may be amended from time to time.

17 It's not in that document. It's nowhere. That's not  
18 true. That's not an accurate statement of what is  
19 reflected in that application. It refers in one of the  
20 three, I believe, they can amend the 1994 Plan for  
21 Offering, but that's the only thing that's indicated, and  
22 it must be done pursuant to the terms of that plan.

23 They've never, my clients, none of them, have ever  
24 entered into an agreement directly with the plaintiff.  
25 Obviously, these were all with the Callawassie Island

1 Company, and -- to join the Callawassie Island Club, which  
2 is not the same club, obviously, as they had discussed  
3 that.

4 And I want to point out additionally that we have  
5 made motions -- or made a motion for summary judgment to  
6 have the spouses removed, because the fact is, for all  
7 three of these, it was the husband in each case, Mr. Frey,  
8 Mr. Martin, and Mr. Quinn, signed the application. The  
9 spouse, the wives, only signed it as applicant spouse.

10 The documents reflect not only that in the  
11 application itself, but the governing documents discuss,  
12 as it's laid out in the Memo, that the member -- member's  
13 immediate family has access, including the member's  
14 spouse, but it doesn't indicate the spouse is a member.  
15 The billing records for the spouse, I mean the billing  
16 records for this membership always go to the husband in  
17 all three of these cases, never to the spouse, never to  
18 the wife.

19 And the delinquent member list, the suspended member  
20 list, all those only show the husband. They don't show  
21 the three spouses in this case. So, at least as to those,  
22 we would say it's a patently -- a big issue for the Court  
23 to decide, the jurors to decide with regard to that.

24 The -- I've also included in what I gave to you the  
25 1994 Plan for Offering with all three exhibits that that



1     came with, because I think it's important to see how those  
2     documents discussed changes. It doesn't say that they can  
3     just make changes as they see fit to any -- any idea of  
4     it.

5             It only refers to the bylaws and the duties and  
6     powers allowed to the Board under the bylaws. Those don't  
7     include, we would argue, to enforce expulsions, to deduct  
8     amounts owed for membership equity only in the case of a  
9     resignation or an expulsion. They go to such things as  
10    how to use the facilities, managing employees, the amounts  
11    of dues and fees charged, but it doesn't specifically  
12    allow them to change that -- those type of terms of the  
13    member's rights.

14            In fact, where that is addressed, it says that  
15    anything that materially and adversely affects the  
16    members, they have to vote on it. It is un --  
17    uncontradicted that nobody ever voted in the membership on  
18    the change from the shall be expelled to the may be  
19    expelled.

20            In fact, the deposition of the Board members suggest  
21    they don't even know how it happened. Some of the Board  
22    members that I took depositions, specifically Karen  
23    Norwood, couldn't explain it, only that well, it was  
24    because it was unclear what that -- what the intent was  
25    there, which is exactly our point. Our clients had a

1 reasonable basis to believe they would be expelled after  
2 four months.

3 The -- the plaintiff also asserts that the defendant  
4 agreed to continue to pay dues and fees until the  
5 membership was reissued, but they don't cite a provision  
6 for that. In fact, the document that they signed doesn't  
7 say that. There's no indication in that document that  
8 they would agree to continue to pay dues and fees until  
9 it's reissued. Regardless, the plaintiff hasn't met its  
10 burden.

11 The other key point I'd like to point out, they keep  
12 bringing up the land covenants, the CIPOA, which is the  
13 Callawassie Island Property Owners Association. It has  
14 nothing to do with any of these three cases, and I  
15 reference that in the Memo and provide the section from  
16 the declarations where these three defendants, because  
17 they bought before 2001, don't -- do not have that  
18 obligation. So, their reliance in their Memo and the  
19 Complaint is misapplied as to the covenants and their  
20 continual reference to the covenants.

21 And, further, you know, just in response to what was  
22 said, the idea that they can only get rid of this by  
23 selling property, there's no connection between their  
24 property and their membership for these particular members  
25 because of when they bought. So, they certainly shouldn't

1 be obligated to go out and have to sell a piece of  
2 property to deal with, resign from, or terminate a  
3 membership in this club.

4 **THE COURT:** Well, that's the way it normally is in  
5 about every club I've dealt with, which is every club ---

6 **MR. MCDANIEL:** Well, ---

7 **THE COURT:** --- in this county. I'm not ruling  
8 against you. I'm only saying that's not a correct  
9 proposition. Normally, you do have to sell.

10 I mean, I listened to the Dataw cases: I bought  
11 here. I don't play golf. I don't have to pay the dues.

12 I'm sorry. I ruled you've got to pay the dues. They  
13 may have appealed it. I don't know. That's just one of  
14 them.

15 I'm president of the country club in Camden, the swim  
16 club. I quit swimming. I don't have to pay swim club  
17 dues.

18 I'm sorry. You own stock. Until you sell it, you've  
19 got to keep paying the dues.

20 This is the best I'll do for you. It sounds like  
21 they should win, but I haven't studied your Memo, right?

22 **MR. MCDANIEL:** Right.

23 **THE COURT:** So, prepare an order ---

24 **MR. MCDANIEL:** I -- I ---

25 **THE COURT:** Hold it. Hold it. I'm not cutting you

1 off.

2 **MR. MCDANIEL:** Okay. Your Honor, I'm sorry.

3 **THE COURT:** I'll let you go on and on. Remember, I'm  
4 not an appellate court. I don't have six law clerks and  
5 nine months.

6 Twenty-six years, I've never had anything under  
7 advisement more than thirty days. All right, but I'll  
8 give you full attention to it and what have you, but when  
9 you argue, it's not like I have read all of this and have  
10 two staff attorneys and three law clerks and prepare memos  
11 and study, but I will read it.

12 But, to simplify it, prepare an order, you throwing  
13 them out, you giving them judgment against the husbands  
14 only, unless you come up with some reason why the wives  
15 should be in there.

16 **MR. HAIGHT:** A very good one, Your Honor.

17 **THE COURT:** Well, then, send me two orders, one with  
18 and one without, because I don't know that. I'll have to  
19 study that. That's the first I heard that is when he  
20 mentioned that.

21 And then you prepare an order saying tough luck, you  
22 can't get summary judgment because they entered into this  
23 predating that and this applicable section didn't apply to  
24 them, and so forth. And then we'll study it and rule  
25 correctly.

1           **MR. MCDANIEL:** Can I -- will you allow me to  
2 continue?

3           **THE COURT:** I will allow you to continue, ---

4           **MR. MCDANIEL:** Thank you, Your Honor.

5           **THE COURT:** --- but just for your ego, because I  
6 haven't studied these propositions, so it's not going to  
7 help you to go over them when I haven't read what you're  
8 talking about yet.

9           **MR. MCDANIEL:** I understand. I guess I just want to  
10 make sure it's in the record.

11          **THE COURT:** If you're an appellate lawyer, you could  
12 go on and on as of which section you're talking about and  
13 everything.

14          **MR. MCDANIEL:** I understand, Your Honor. I would  
15 like to just make a few more ---

16          **THE COURT:** Sure.

17          **MR. MCDANIEL:** --- I can summarize what it is,  
18 because we do believe, given the standard summary judgment  
19 of being a mere scintilla of evidence and reading these  
20 contracts in the light most favorable to my clients, that  
21 there is a great deal of evidence that they would not be  
22 granted summary judgment, and I would just like to touch  
23 on a few of those of what we think are the key points  
24 here.

25               As stated, the -- the 1994 Plan of Offer also

1 requires that the club reissue the memberships, every  
2 fourth membership that is on the resale list. We've  
3 provided you the resale list. Three would come from the  
4 developer and then one from the resale list.

5 One of the issues we have in this case is, despite  
6 their denial that this can't happen, based on the resale  
7 list, over the years, they have expelled members. We've  
8 got dozens of expelled members on the resale list, as well  
9 as conceded members, which are members who they just said  
10 you can leave and didn't make them do anything. And that  
11 is, you know, the evidence of that is front of you there,  
12 Your Honor, in the exhibits, I believe Exhibit D or E,  
13 where they had the resale list showing that's the reason  
14 those were all taken back, concession or expulsion.

15 So, at some point, they were following the rules and  
16 they were doing this the way they're supposed to be --  
17 supposed to have done it. But what that leaves now is a  
18 resale list in which the plan suggests every fourth one  
19 coming off the resale list would be one of the resigned  
20 members, but now it's overloaded with conceded and  
21 expelled members.

22 And so my clients are -- are nowhere to be seen and  
23 any idea that they might be able to get off that resale  
24 list. So, we obviously have a problem with that.

25 The -- again, the Board officers, the President,

1 Karen Norwood, that I deposed, said that my clients of  
2 this type were grandfathered and that they weren't -- this  
3 wasn't applicable to them. And that's the distinction I  
4 would make with the Dataw cases.

5 My clients live in New Jersey, Michigan, and Atlanta.  
6 They don't live around here. They don't use the  
7 facilities, but I won't even make that argument. That's  
8 not even -- I agree, Your Honor, that doesn't matter if  
9 they're -- even though it's untrue that they're getting  
10 use and enjoyment out of them, it's not the reason that  
11 they shouldn't be held to the covenants and the  
12 requirements about owning a membership with a piece of  
13 property. It's because they bought before that and the  
14 covenants specifically say they're not -- they are exempt  
15 from that obligation.

16 Again, I would just like to say the 2001 club rules  
17 do say at 13.3.1 that a member shall be expelled. And the  
18 definition of expelled and how that's defined is different  
19 than resigned and terminated in that -- in that document,  
20 that it doesn't include expulsion in the terminology where  
21 there's a discussion about resigned members having to  
22 continue to pay until it's reissued.

23 It doesn't say that about expelled members. And the  
24 fact is, expelled members have never been held to do that.  
25 In fact, it says that they will never be again -- shall

1 not again be eligible for membership if you're expelled.

2 And that was the -- as well as the 30(b)(6) testimony  
3 of Mr. Swizter that that is automatic. There's a  
4 suspension period after three months, and then the rule  
5 would kick in after that.

6 The Plan of Offering, the club rules, again, as I  
7 cite specifically in the Memo, also indicate that the most  
8 a member would ever be liable for would be the amount that  
9 they had purchased into the club, that the club could have  
10 a lien against the membership for unpaid dues and fees at  
11 the time they resign.

12 Again, that unpaid, they defined as being a  
13 continuing obligation, but that's not I think a proper  
14 reading of the word unpaid. It would be unpaid at the  
15 time of the resignation. The club could have a lien.

16 If you resign and get on the resale list and you want  
17 to continue to use the club, you can do that by making  
18 your payments. At most, the documents if you look at  
19 them, indicate that all the documents, the bylaws, the  
20 Plan of Offering, all speak to the member getting money  
21 back at the time his membership is sold.

22 It never says and you would be required to pay any  
23 delinquency not covered by the cost of your membership.  
24 It least implies throughout that the most a member would  
25 ever have, because it is an equity membership, is the



1 amount that they purchased in, the thirty-one thousand  
2 dollars, an amount that they haven't even deducted out of  
3 what they're claiming in this case.

4 My client has, and it's attached there, offered the  
5 affidavit to the effect that this was not the agreement  
6 that he made. And furthermore, the club director, the  
7 membership director, Ellen Padgett, has testified that she  
8 understood that it was four months, and then you're  
9 expelled. She testified to that.

10 Again, perhaps a jury wouldn't believe it, Your  
11 Honor, but I believe it creates an issue for the jury as  
12 to whether that's a proper interpretation, given this was  
13 the, not just my client's interpretation, but the  
14 membership director for the plaintiff and for the  
15 predecessor club who stayed on, testified to that as well.  
16 And like I said, we have included in the record on appeal  
17 a number of the concessions and expulsions that did occur.

18 I spent a good bit of time or several pages in the  
19 Memo just making sure that it was clear who Ellen Padgett  
20 was, as far as her ability to make that representation and  
21 her knowledge.

22 I would just reference back to the 1994 Plan of  
23 Offering, the 1994 Bylaws, and the Club Rules from 1994,  
24 which I've included, and you know, ask the Court to review  
25 that Memo, as you said you will do, because we cite

1 specific language there about how that is -- how that is  
2 supposed to occur upon the resignation of the member. And  
3 it indicates that those charges will accrue against --  
4 deducted from the amount to be paid to the resigned member  
5 upon the reissuance of his resigned membership. It  
6 doesn't say there will be any delinquency or could be.

7 The bylaws go into a little more detail. And it  
8 indicates in 8(b) in the bylaws that whenever any person  
9 shall cease to be an equity member, whether by death,  
10 resignation, recall, expulsion, or other provision; it's  
11 clear that the indication from that is that there are -- a  
12 member can be resigned or be expelled, or should be. And  
13 there's no personal liability.

14 It accrues against the membership, if you read the  
15 terminology. It continues to reference the membership,  
16 not the member, as having the debt and the obligation.

17 And, finally, I would also just indicate, as I have,  
18 that the spouses only signed as applicants. And as to the  
19 damages portion, I did have a few things. You know, we --  
20 I have -- there's been a submission of attorney's fees.  
21 And in the attorney's fees, about nine thousand dollars of  
22 all of them, a little more, a little less, more than half  
23 of that in some cases is projected future attorney's fees.

24 And I've asked for invoices. I've sent discovery  
25 requests for that, an itemization of what those attorney's

1 fees are, the past attorney's fees. I haven't received  
2 that.

3 The affidavit for attorney's fees simply says general  
4 statements, such as gathering documents, meetings, those  
5 types of things. That's insufficient under the rules and  
6 under the cases I cite in the Brief for us to be able to  
7 review it to see if it's adequate.

8 These cases, there has been virtually no discovery  
9 done in them so far, except for some exchanging of some  
10 paper discovery and the pleadings. So, we would have an  
11 issue with regard to the submission of the affidavits. We  
12 weren't able to properly review them. And the federal  
13 case that I cite there, ---

14 **THE COURT:** All right. How much longer do you need?  
15 I've got all of these other people out here, and I  
16 explained to you, I haven't read your Brief. So, you're  
17 just reading from it to me, like I'm going to be able to  
18 take it in until I have read the Bylaws and all that and  
19 all that.

20 **MR. MCDANIEL:** I understand. The final thing I will  
21 say is, we do have discovery that needs to be done in the  
22 case.

23 **THE COURT:** Well, then, you just should have said  
24 it's premature to even argue this, because we need more  
25 discovery, and I would have said: Come back next time,

1 because I'm down here all the time.

2 **MR. MCDANIEL:** Well, that's what I'm saying is, I  
3 want to take the deposition of the accountant, Mr.  
4 Spencer, and we haven't done that. These cases are really  
5 just premature and discovery is still needed to be done.  
6 I'll otherwise rest on the Briefs that we have submitted.

7 **MR. YOUNG:** Your Honor, if I may respond very briefly  
8 to that, and then I'll confirm how you want your proposed  
9 orders. Our case law is replete. I believe Dawkins  
10 versus Fields and Gaul versus O'Shaunasey Realty confirmed  
11 the notion that if -- if a party -- if a party cannot meet  
12 one of -- one of the elements of its claim, then there is  
13 no need for further discovery and summary judgment is  
14 appropriate.

15 In this case, it's a case not only for the  
16 counterclaims, but also for the Callawassie claim for  
17 dues, where the claim is for one, in contract, where if  
18 there is not an ambiguity, you determine it based upon the  
19 language of the contracts and no extrinsic evidence is  
20 allowed.

21 **THE COURT:** All right. Well, y'all just do what I  
22 said. Send me two proposed orders with a self-addressed,  
23 stamped envelope.

24 And you send me an order as to why it shouldn't be  
25 signed, and I'll read everything.

1           **MR. HAIGHT:** And, Your Honor, just one more thing, if  
2 I could? Mr. McDaniel asked for that billing. I am  
3 handing that to him now.

4           Also, I am handing him the supplemental affidavits.  
5 He said he objects to the supplemental affidavits. I  
6 still would like to submit them.

7           **THE COURT:** You can do that.

8           **MR. HAIGHT:** Also I have from Mr. Young ---

9           **THE COURT:** And he can submit them also.

10          **MR. HAIGHT:** --- a copy of the Articles of  
11 Incorporation for our client, and also the letter from the  
12 IRS designating -- designating them as a 501(c)(7), in  
13 case the Court needs those, I'll pass those up.

14          **MR. MCDANIEL:** And, Your Honor, we do object to  
15 submission of the records.

16          **THE COURT:** You can submit contrary ones. I'll give  
17 y'all thirty days to send it in, and then I'll rule  
18 fifteen days after I get them, assuming I'm in the  
19 country.

20          **MR. HAIGHT:** You have a trip planned, Your Honor?

21          **THE COURT:** Always.

22          **(END OF REQUESTED TRANSCRIPT OF RECORD.)**  
23  
24  
25

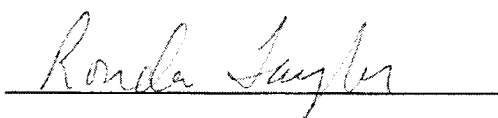
CERTIFICATE OF REPORTER

STATE OF SOUTH CAROLINA       )  
COUNTY OF BEAUFORT            )

I, Ronda A. Taylor, Official Court Reporter for the  
Judicial Department of the State of South Carolina, do  
hereby certify that the foregoing is a true, accurate and  
complete Transcript of Record of the proceedings had and  
evidence introduced in the trial of the captioned case,  
relative to appeal, in the Court of Common Pleas for  
Beaufort County, South Carolina, on the 19th day of May,  
2014.

I do further certify that I am neither of kin,  
counsel nor interest to any party hereto.

August 20, 2014



Ronda A. Taylor, CVR-M  
Official Court Reporter