

B 10 (Official Form 10) (12/11)

UNITED STATES BANKRUPTCY COURT DISTRICT OF SOUTH CAROLINA		PROOF OF CLAIM
Name of Debtor: The Cliffs Club & Hospitality Group Inc.	Case Number: 12-1220	COURT USE ONLY <input type="checkbox"/> Check this box if this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____
NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): Courtney McCarthy		
Name and address where notices should be sent: Courtney McCarthy - c/o Thomas E. Dudley, III 704 East McBee Avenue Greenville, SC 29601 Telephone number: (864) 242-4899 email: dudley@conlaw.com		<div style="text-align: center; font-weight: bold; font-size: 1.2em;"> RECEIVED MAY 30 2012 BMC GROUP </div>
Name and address where payment should be sent (if different from above): S/A Telephone number: email:		
1. Amount of Claim as of Date Case Filed: \$ <u>102,164.26</u> If all or part of the claim is secured, complete item 4. If all or part of the claim is entitled to priority, complete item 5. <input type="checkbox"/> Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.		
2. Basis for Claim: <u>See attached sheet as to #1 and #2</u> (See instruction #2)		
3. Last four digits of any number by which creditor identifies debtor: n / a	3a. Debtor may have scheduled account as: (See instruction #3a)	3b. Uniform Claim Identifier (optional): (See instruction #3b)
4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of setoff, attach required redacted documents, and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: _____ Value of Property: \$ _____ Annual Interest Rate _____ % <input type="checkbox"/> Fixed or <input type="checkbox"/> Variable (when case was filed)		
Amount of arrearage and other charges, as of the time case was filed, included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____		
5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507 (a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.		
<input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507 (a)(1)(A) or (a)(1)(B).	<input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier – 11 U.S.C. § 507 (a)(4).	<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. § 507 (a)(5). Amount entitled to priority: \$ _____
<input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. § 507 (a)(7).	<input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. § 507 (a)(8).	<input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. § 507 (a)(). \$ _____
* Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.		
6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6)		



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7. Documents: Attached are redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. If the claim is secured, box 4 has been completed, and redacted copies of documents providing evidence of perfection of a security interest are attached. (See instruction #7, and the definition of "redacted".)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

8. Signature: (See instruction #8)

Check the appropriate box.

- ☐ I am the creditor. ☒ I am the creditor's authorized agent. ☐ I am the trustee, or the debtor, or their authorized agent. ☐ I am a guarantor, surety, indorser, or other codebtor. (Attach copy of power of attorney, if any.) (See Bankruptcy Rule 3005.) (See Bankruptcy Rule 3004.)

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: Thomas E. Dudley, III
 Title: Attorney for Creditor
 Company: Kenison, Dudley & Crawford, LLC
 Address and telephone number (if different from notice address above):
S/A

(Signature)

(Date)

05/21/2012

Telephone number: _____ email: _____

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, exceptions to these general rules may apply.

Items to be completed in Proof of Claim form

Court, Name of Debtor, and Case Number:

Fill in the federal judicial district in which the bankruptcy case was filed (for example, Central District of California), the debtor's full name, and the case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is at the top of the notice.

Creditor's Name and Address:

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. Amount of Claim as of Date Case Filed:

State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim:

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delivering health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:

Report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

3b. Uniform Claim Identifier:

If you use a uniform claim identifier, you may report it here. A uniform claim identifier is an optional 24-character identifier that certain large creditors use to facilitate electronic payment in chapter 13 cases.

4. Secured Claim:

Check whether the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See Definitions.) If the claim is secured, check the box for the nature and value of property that secures the claim, attach copies of lien documentation, and state, as of the date of the bankruptcy filing, the annual interest rate (and whether it is fixed or variable), and the amount past due on the claim.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. § 507 (a).

If any portion of the claim falls into any category shown, check the appropriate box(es) and state the amount entitled to priority. (See Definitions.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Credits:

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

7. Documents:

Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delivering health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

8. Date and Signature:

The individual completing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what constitutes a signature. If you sign this form, you declare under penalty of perjury that the information provided is true and correct to the best of your knowledge, information, and reasonable belief. Your signature is also a certification that the claim meets the requirements of FRBP 9011(b). Whether the claim is filed electronically or in person, if your name is on the signature line, you are responsible for the declaration. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. If the claim is filed by an authorized agent, attach a complete copy of any power of attorney, and provide both the name of the individual filing the claim and the name of the agent. If the authorized agent is a servicer, identify the corporate servicer as the company. Criminal penalties apply for making a false statement on a proof of claim.

U.S. BANKRUPTCY COURT - DISTRICT OF SOUTH CAROLINA

ATTACHMENT TO PROOF OF CLAIM

Debtor: The Cliffs Club & Hospitality Group, Inc., et al.¹

Case No.: 12-1220

Creditor: Courtney McCarthy

1. Amount of Claim as of Date Case Filed:

The amount of \$102,164.26 is claimed for rescission of Club Membership purchased by the Creditor in August of 2005 and for payment of Club dues since that time.

Creditor purchased property for \$1.1 Million Dollars that Creditor cannot build on because Debtor's affiliates, The Cliffs Communities and Keowee Falls Investment Group, failed to disclose to Creditor material information about the subsurface condition of the lot Creditor purchased that The Cliffs Communities and Keowee Falls Investment Group were aware of before Creditor's purchase.

2. Basis for Claim:

Civil lawsuit filed in South Carolina State Court for Breach of Contract, Fraud, Negligent Misrepresentation, and Constructive Fraud.

¹The Debtors, followed by the last four digits of their respective taxpayer identification numbers, are as follows: The Cliffs Club & Hospitality Group, Inc. (6338); CCHG Holdings, Inc. (1356); The Cliffs at Mountain Park Golf & Country Club, LLC (2842); The Cliffs at Keowee Vineyards Golf & Country Club, LLC (5319); The Cliffs at Walnut Cove Golf & Country Club, LLC (9879); The Cliffs at Keowee Falls Golf & Country Club, LLC (3230); The Cliffs at Keowee Springs Golf & Country Club, LLC (2898); The Cliffs at High Carolina Golf & Country Club, LLC (4293); The Cliffs at Glassy Golf & Country Club, LLC (6559); The Cliffs Valley Golf & Country Club, LLC (6486); Cliffs Clubs & Hospitality Service Company, LLC (9665).

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DEFINITIONS**INFORMATION****Debtor**

A debtor is the person, corporation, or other entity that has filed a bankruptcy case.

Creditor

A creditor is a person, corporation, or other entity to whom debtor owes a debt that was incurred before the date of the bankruptcy filing. See 11 U.S.C. §101 (10).

Claim

A claim is the creditor's right to receive payment for a debt owed by the debtor on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.

Proof of Claim

A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.

Secured Claim Under 11 U.S.C. § 506 (a)

A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien.

A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

Unsecured Claim

An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

Claim Entitled to Priority Under 11 U.S.C. § 507

(a) Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

Redacted

A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor must show only the last four digits of any social-security, individual's tax-identification, or financial-account number, only the initials of a minor's name, and only the year of any person's date of birth. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information.

Evidence of Perfection

Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

Acknowledgment of Filing of Claim

To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system (www.pacer.psc.uscourts.gov) for a small fee to view your filed proof of claim.

Offers to Purchase a Claim

Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 *et seq.*), and any applicable orders of the bankruptcy court.

STATE OF SOUTH CAROLINA)

COUNTY OF GREENVILLE)

Kevin McCarthy and Courtney E. McCarthy,

Plaintiffs,

vs.

Keowee Falls Investment Group, LLC,
The Cliffs Communities, LLC d/b/a The
Cliffs at Keowee Falls South, Cliffs
Real Estate, Inc., The Cliffs Golf and
County Club, Inc., and S&ME, Inc.,

Defendants.

IN THE COURT OF COMMON PLEAS

C.A. No.: 2011-CP-23-6376


SUMMONS
(Jury Trial Demanded)

FILED
2011 SEP 27 AM 9:54
CLERK OF COURT
JUDICIAL BRANCH 1
GREENVILLE, SC

TO THE DEFENDANTS ABOVE NAMED:

YOU ARE HEREBY summoned and required to answer the Complaint in this action, of which a copy is herewith served upon you, and to serve a copy of your answer to the said Complaint on the subscribers at their offices, 704 East McBee Avenue, Greenville, South Carolina, 29601, within thirty (30) days after the service hereof, exclusive of the day of such service; and if you fail to answer the Complaint within the time aforesaid, the Plaintiff in this action will apply to the Court and judgment by default will be rendered against you for the relief demanded in the Complaint.

Respectfully submitted,



Thomas E. Dudley, III (SC Bar # 66154)
M. Stokely Holder (SC Bar # 73892)
F. Lee Prickett, III (SC Bar # 76178)
Kenison, Dudley & Crawford, LLC
704 East McBee Avenue
Greenville, SC 29601
(864) 242-4899
Attorneys for Plaintiffs

September 23, 2011
Greenville, SC

EXHIBIT

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STATE OF SOUTH CAROLINA)	
)	IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE)	
Kevin McCarthy and Courtney R. McCarthy,)	C.A. No.: 2011-CP-23- <u>6376</u>
)	
Plaintiffs,)	
)	
vs.)	COMPLAINT
)	(Jury Trial Demanded)
)	
The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Keowee Falls Investment Group, LLC; Cliffs Real Estate, Inc.; The Cliffs Golf and Country Club, Inc.; and S&ME, Inc.;)	
)	
Defendants.)	

FILED
CLERK OF COURT
GREENVILLE, SC
2011 SEP 27 AM 9:54

Plaintiffs, Kevin McCarthy and Courtney R. McCarthy (collectively "Plaintiffs"), complaining of the Defendants The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Investment Group, LLC; Cliffs Real Estate, Inc.; The Cliffs Golf and Country Club, Inc. (Defendants Cliffs Investment Group, LLC; The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Real Estate, Inc.; and The Cliffs Golf and Country Club, Inc. collectively hereinafter "Cliffs Defendants"); and S&ME, Inc. ("S&ME") (collectively "Defendants"), would show unto this Court as follows:

1. Plaintiffs are citizens and residents of the State of North Carolina and are the record owners of the property subject to this dispute.
2. Upon information and belief, Defendant The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South is a limited liability company existing under the laws of the State of South Carolina with its primary place of business in

Greenville County, South Carolina, and has as a subsidiary Defendant Keowee Falls Investment Group, LLC. The Cliffs Communities, LLC does business as The Cliffs at Keowee Falls South.

3. Upon information and belief, Defendant Keowee Falls Investment Group, LLC is a limited liability company existing under the laws of the State of South Carolina with its primary place of business in Greenville County, South Carolina. Upon information and belief, Keowee Falls is controlled by The Cliffs Communities.

4. Upon information and belief, Defendant Cliffs Real Estate, Inc. is a corporation existing under the laws of the State of South Carolina with its primary place of business in Greenville County, South Carolina, and who acted as the dual real estate agent for the Plaintiffs and Cliffs Defendants for the sale of the subject Lot to the Plaintiffs and for a subsequent listing agreement with Plaintiffs.

5. Upon information and belief, Defendant The Cliffs Golf and Country Club, Inc. is a corporation existing under the laws of the State of South Carolina with its primary place of business in Greenville County, South Carolina who was a party to the subject Real Estate Sale and Purchase Agreement and was paid monies, and has continued to be paid monies, in consideration of the Plaintiffs entering said contract.

6. The Cliffs Defendants were all involved, as seller- and/or as agents of the seller- in the acts surrounding the sale described herein to Plaintiffs of Lot 32, Jasmine Point, said Lot being located in the subdivision known as The Cliffs

at Keowee Falls South in the County of Greenville, State of South Carolina (the "Lot").

7. Upon information and belief, Defendant S&ME is a North Carolina corporation doing business in South Carolina, maintaining a place of business in Greenville, South Carolina, and operating an engineering firm that conducted investigations and offered professional opinions related to property in The Cliffs at Keowee Falls South subdivision, including Plaintiffs' Lot.

8. The Court has Jurisdiction over the parties and subject matter in this action, and Venue is proper in this Court.

STATEMENT OF THE FACTS

9. Prior to June 6, 2005, Plaintiffs toured the Cliffs at Keowee Falls South subdivision with a Cliffs Defendants' employee, J. Scott. Plaintiffs desired to purchase the vacant Lot, which is the subject of this action.

10. Prior to purchasing the subject Lot, the Cliffs Defendants gave the Plaintiffs a H.U.D. Report dated May 5, 2004 (a copy of said HUD Report is attached hereto and incorporated herein by reference as **Exhibit "A"**). The report contained express representations about the subdivision, including the build-ability of the lots in the subdivision (including the Lot at issue) and that unsuitable subsurface conditions were not present that would warrant the use of special construction techniques to build on the lots (including the Lot at issue).

11. On or about June 20, 2005, the Plaintiffs and the Cliffs Defendants executed a "Real Estate Sale and Purchase Agreement" (a copy of said contract is attached hereto and incorporated herein by reference as **Exhibit "B"**).

12. As evidenced by the terms of said contract, the Cliffs Defendants understood that the Plaintiffs, in consideration of purchasing the Lot, intended to build a house on the Lot for use as a second home, or that if Plaintiffs sold the Lot, that purchaser would be able to build a residence on it.

13. The H.U.D. Report and the contract with the Cliffs Defendants contained an express representation that if DHEC had not previously approved the installation of a septic system on the Lot, or the Plaintiffs were unable to obtain a septic permit, and if the Cliffs is unable to secure such approval, the Cliffs Defendants would refund Plaintiffs' purchase price.

14. The contract also included a provision whereby the Defendant Cliffs Real Estate, Inc. was paid a portion of the sales price as its purported commission for selling the Lot to Plaintiffs upon the express premise (and understandings described herein) that the Lot be suitable for residential construction.

15. The contract also obligated the Plaintiffs to, *inter alia*, pay monies to Defendant The Cliffs Golf and Country Club, Inc. for a membership to the Cliffs Golf and Country Club based on the Plaintiffs purchase of the subject Lot- the basis of said Lot purchase (suitability for residential construction) being known to The Cliffs Golf and Country Club, Inc. by virtue of its inclusion as a party in the subject contract.

16. Sometime in April or May of 2011, Plaintiffs were contacted by an adjacent property owner, Jack Harrell ("Harrell") about a subsurface condition

that was effecting Harrell's lot and the *cul de sac* which is located above and adjacent to both the Plaintiffs' Lot and Harrell's lot.

17. Harrell shared with Plaintiffs an engineer's report dated July 2005 from Defendant S&ME that was submitted to, and for the benefit of, the Cliffs Defendants concerning abnormal geological conditions on Harrell's lot that extended to Plaintiffs' Lot (a copy of said S&ME report is attached hereto and incorporated herein by reference as **Exhibit "C"**). Harrell also shared the results of his own engineer's investigation which identified a geological condition known as a "scarp" or slope failure that was occurring on not only Harrell's lot, but on both of Harrell's neighboring lots, including the Lot owned by Plaintiffs. (See copy of Carroll L. Crowther, P.E.'s engineering report ["Harrell Report"], attached hereto and incorporated herein by reference as **Exhibit "D"**).

18. Carroll L. Crowther, P.E. ("C. Crowther") was hired by Plaintiffs and conducted a site investigation on Plaintiffs' Lot. C. Crowther determined the scarp or slope failure caused an unstable soil condition on Plaintiffs' Lot. C. Crowther determined that normal, reasonable construction techniques could not be used to build a house on Plaintiffs' Lot ("McCarthy Report"). (See copy of Carroll L. Crowther, P.E.'s McCarthy Report attached hereto and incorporated herein by reference as **Exhibit "E"**).

19. C. Crowther opined that the "scarp" or slope failure on Plaintiffs' Lot made the site unsuitable for a septic system (See **Exhibit "E"**).

20. Based on C. Crowther's findings, Plaintiffs are unable to build a house on their Lot because of the unstable soil conditions located thereon.

Further, Plaintiffs understand they would not be able to sell the Lot for a value comparable to the amount they paid for the Lot because no house can be built on it.

FOR A FIRST CAUSE OF ACTION
(Breach of Contract – The Cliffs Defendants)

21. The allegations of the preceding paragraphs are incorporated herein by reference.

22. Plaintiffs entered into a contract with the Cliffs Defendants for the purchase of Lot 32, Jasmine Cove in The Cliffs at Keowee Falls South subdivision (See Exhibit "B").

23. The Cliffs Defendants expressly warranted that no unstable soils were on the Lot such that the use of any special construction techniques would not be required to build a residence thereon.

24. The Cliffs Defendants also expressly warranted that if DHEC would not approve of an individual sewage treatment system on the Lot, then the Cliffs Defendants would refund the purchase price in exchange for Plaintiffs deeding the Lot back to Defendant Cliffs.

25. The Cliffs Defendants also expressly warranted that there were no unusual natural hazards on the Lot.

26. The Cliffs Defendants breached the contract in one or more of the following particulars:

(i) the Lot contains unstable soils such that no residence can be reasonably built thereon, or at a minimum, special construction techniques would be required;

(ii) a DHEC permit for an individual sewage treatment system will not be possible because of the unstable soils on the Lot;

(iii) despite the Cliffs Defendants' knowledge of the Plaintiffs inability to obtain a permit for an individual sewage treatment system, the Cliffs Defendants have not agreed to refund the purchase price as they were required under the contract;

(iv) the Lot contains an unusual natural hazard; and

(v) the Cliffs failed to disclose the knowledge they had about the unstable soil condition on the Lot from 2005-2011.

27. Because of the nature of the unstable soil condition, it effectively nullifies any value having been transferred by the Cliffs Defendants to the Plaintiffs. In consideration of the representations made by the Cliffs Defendants, the Plaintiffs and the Cliffs Defendants entered into the subject contract with the mutual understanding and agreement that the value paid by the Plaintiffs to the Cliffs Defendants was representative of the Plaintiffs' ability to reasonably build a house on the Lot, was representative of the Lot's suitability for normal residential construction techniques, and, regardless of whether the Plaintiffs ever built a house on the Lot, was representative of the marketability of the Lot upon which the Plaintiffs could rely in transferring it for comparable value to any potential grantees of the Plaintiffs. These representations made by the Cliffs Defendants being false are further breaches of the contract.

28. Because of the nature of the Cliffs Defendants' breaches of the contract, the Plaintiffs seek rescission of the contract, the value paid by Plaintiffs for the Lot, all other monies paid by the Plaintiffs to the Cliffs Defendants and all direct and consequential damages, plus attorneys' fees, costs and interest.

29. As an additional, alternative request for relief, the Plaintiffs seek a refund of the purchase price pursuant to the provisions of the above referenced H.U.D. Report and contract, which provide for the refund of Plaintiffs' purchase price, and other costs, plus attorneys' fees, since the Lot cannot be permitted for an individual sewage treatment system nor can a residence be built without using special construction techniques.

FOR A SECOND CAUSE OF ACTION
(Fraud – The Cliffs Defendants)

30. The allegations of the preceding paragraphs are incorporated herein by reference.

31. The Cliffs Defendants were aware in July of 2005 that an unusual subsurface condition existed on several lots in the subject subdivision, including the Plaintiffs' Lot, the existence of which could effect the construction of a residence on Plaintiffs' Lot and, therefore, the marketability of that Lot. Yet, the Cliffs Defendants never disclosed this information to Plaintiffs prior to (during, or anytime after) the closing on the Plaintiffs' Lot in August of 2005.

32. Further, despite knowledge of the conditions affecting the subject Lot, the Cliffs Defendants did not require an engineer to further investigate the "scarp" to determine the extent it impacted the Plaintiffs' Lot and the value of said Lot. Had such investigation taken place, the scarp would have been identified on Plaintiffs' Lot, materially affecting the sales contract.

33. The Cliffs Defendants either knew of the falsity of its material misrepresentations or recklessly disregarded the truth or falsity of the misrepresentations.

34. The failure of the Cliffs Defendants to disclose this material information was a material misrepresentation that the Cliffs Defendants intended for the Plaintiffs to act upon, for which the Plaintiffs were completely ignorant of and, pursuant to their right to rely thereon, did rely thereon in consummating the purchase of the Lot that is now worthless.

35. As a consequential and proximate result of Plaintiffs acts in reliance on the Cliffs Defendants' misrepresentations, the Plaintiffs suffered actual, consequential, special and punitive damages in an amount to be determined by a jury, together with costs, attorneys' fees and interest.

FOR A THIRD CAUSE OF ACTION
(Negligent Misrepresentation – The Cliffs Defendants)

36. The allegations of the preceding paragraphs are incorporated herein by reference.

37. The Cliffs Defendants were aware in July of 2005 that an unusual subsurface condition existed on several lots in the subject subdivision, including the Plaintiffs' Lot, the existence of which could affect the construction of a residence on Plaintiffs' Lot and, therefore, the marketability of the Lot. Yet, the Cliffs Defendants never disclosed this information to Plaintiffs prior to (during, or anytime after) the closing on the Plaintiffs' Lot in August of 2005.

38. Further, despite knowledge of the conditions affecting the subject Lot, the Cliffs Defendants did not require an engineer to further investigate the "scarp" to determine the extent it impacted Plaintiffs' Lot 32 and the value of said Lot. Had such investigation taken place, the scarp would have been identified on Plaintiffs' Lot, materially affecting the sale contract.

39. The failure of the Cliffs Defendants to disclose this material information was a material misrepresentation that the Plaintiffs justifiably relied upon in consummating the purchase of the Lot that is now worthless.

40. The Cliffs Defendants had a pecuniary interest in making the misrepresentation to the Plaintiffs, and the Cliffs Defendants owed a duty of care to see that truthful information was communicated to the Plaintiffs.

41. The Cliffs Defendants breached its duty by failing to exercise due care.

42. The Plaintiffs suffered a pecuniary loss as a direct and proximate result of their reliance on the Cliffs Defendants' misrepresentations in an amount of consequential, special and punitive damages to be determined by a jury, together with costs, attorneys' fees and interest for which it hereby sues.

FOR A FOURTH CAUSE OF ACTION
(Constructive Fraud – The Cliffs Defendants)

43. The allegations of the preceding paragraphs are incorporated herein by reference.

44. The Cliffs Defendants were aware in July of 2005 that an unusual subsurface condition existed on several lots in the subject subdivision, including the Plaintiffs' Lot, the existence of which could affect the construction of a residence on Plaintiffs' Lot and, therefore, the marketability of the Lot. Yet, the Cliffs Defendants never disclosed this information to Plaintiffs prior to (during, or anytime after) the closing on the Plaintiffs' Lot in August of 2005, materially affecting the sales contract.

45. Further, despite knowledge of the conditions affecting the subject Lot, the Cliffs Defendants did not require an engineer to further investigate the "scarp" to determine the extent it impacted Plaintiffs' Lot 32 and the value of said Lot. Had such investigation taken place, the scarp would have been identified on Plaintiffs' Lot.

46. The Cliffs Defendants ought to have known of the falsity of its material misrepresentations.

47. The failure of the Cliffs Defendants to disclose this material information was a material misrepresentation that the Cliffs Defendants intended for the Plaintiffs to act upon, for which the Plaintiffs were completely ignorant of; and, pursuant to the Plaintiffs right to rely thereon, did rely thereon in consummating the purchase of the Lot that is now worthless.

48. As a consequential and proximate result of Plaintiffs acts in reliance on the Cliffs Defendants' misrepresentations, the Plaintiffs suffered consequential, special and punitive damages in an amount to be determined by a jury, together with costs, attorneys' fees and interest for which it hereby sues.

FOR A FIFTH CAUSE OF ACTION
(Professional Negligence - S&ME)

49. The allegations of the preceding paragraphs are incorporated herein by reference.

50. Defendant S&ME was engaged by the Cliffs Defendants to investigate subsurface conditions affecting the (Harrell's) lot adjacent to Plaintiffs' Lot for the purpose of accurately reporting subsurface conditions in light of the affect of same on the suitability of the property for residential construction,

recommending proper testing, and recommending proper methods of remediation, if any.

51. Defendant S&ME issued a report identifying that there was abnormal geological conditions (the scarp) on Harrell's lot that extended to Plaintiffs' Lot and that there was evidence that a "scarp" existed on Harrell's lot as well as the *cul de sac* which is located above (in elevation) and adjacent to both the Plaintiffs' Lot and Harrell's lot – the *cul de sac* serving as the points of vehicular ingress/egress to/from the roadway and both lots.

52. Upon information and belief, S&ME's professional opinion was sought in order to determine whether residential construction could reasonably take place on the property next to Plaintiffs. Based on S&ME's conclusions regarding the existence and location of the "scarp" feature together with S&ME's knowledge of its purpose in issuing a professional opinion, S&ME knew or should have known that the "scarp" feature would materially impact the viability of residential construction on the surrounding property, to include the property of the Plaintiffs.

53. S&ME owed a duty of care to the owners (including without limitation the Cliffs, Harrells and Plaintiffs) of the properties upon which S&ME discovered the "scarp" to perform further testing, or recommended additional testing on adjacent lots, and/or to inform such owners of S&ME's knowledge regarding the "scarp", and the material impact this feature could have on the viability, or lack thereof, of reasonable, residential construction taking place on

said properties and the impact this feature could have on the value of the property.

54. Upon information and belief, Defendant S&ME did not further investigate, or recommend additional investigation, the extent in which the scarp affected the Plaintiffs' Lot, or otherwise notify the owners of said properties of the abnormal geological conditions and the impact the same could have on the value of the property and the viability of reasonable, residential construction taking place on the property.

55. Defendant S&ME, without conducting any further meaningful tests on the Harrell lot or on the Plaintiffs' Lot and without otherwise notifying the owners of the potential significance of the abnormal geological conditions, simply opined that a residence could be built on the Harrell lot.

56. Defendant S&ME's silence as to Plaintiffs' Lot amounted to a material omission as to a condition known to Defendant S&ME that could materially effect the use of, value of, and the viability of reasonable residential construction on the Plaintiffs' Lot.

57. All of the above violates the standard of care of Geotechnical Engineers in South Carolina, particularly in the Upstate of South Carolina, where Plaintiffs' Lot is located.

58. In compliance with S.C. Code Ann. 15-26-100, *et. seq.* Plaintiff is filing as a part of this Complaint an affidavit based on the available evidence at the time of the filing of the affidavit. This affidavit, executed by Carroll L. Crowther, P.E. is attached hereto and incorporated herein by reference as

Exhibit "F".

59. As a consequential and proximate result of Defendant S&ME's failure to adhere to the standard of care, Plaintiffs have been damaged as they paid over \$1 million dollars for a Lot that cannot be used as represented, for which the Plaintiffs hereby sue, together with consequential, special and punitive damages in an amount to be determined by a jury, and costs, attorneys' fees and interest.

FOR A SIXTH CAUSE OF ACTION
(Violation of the Interstate Land Sales Full Disclosure Act,
15 U.S.C.A. § 1701, et. seq. (the "Act")
– The Cliffs Defendants)

60. The allegations of the preceding paragraphs are incorporated herein by reference.

61. This cause of action is brought by Plaintiffs against all Cliffs Defendants under the provisions of the Interstate Land Sales Full Disclosure Act, 15 U.S.C.A. §§ 1701, et. seq., for rescission, compensatory damages, as well as interest, court costs, attorneys' fees, independent expert fees, and all travel costs to and from the Lot.

62. This Court has jurisdiction over this claim pursuant to 15 U.S.C.A. § 1719, which provides concurrent non-removable jurisdiction on actions brought under the Act that are filed in state court. State courts have concurrent jurisdiction over suits in equity and actions at law brought to enforce any liability or duty created by this title. In accordance with the Act, "Any suit or action may be brought ... in the district where the offer or sale took place, if the Defendant participated therein... No case arising under this chapter and brought in any

State court of competent jurisdiction shall be removed to any court of the United States".

63. The Plaintiffs are "purchasers" within the provisions of the Act. The Defendants, as defined above, collectively and individually are the "Developer", or agents of the "Developer" within the context of the Act. At the time of the sale, Mr. McCarthy resided in Georgia and Ms. McCarthy resided in North Carolina.

64. The Act prohibits the sale or lease of "lots" in a "subdivision" using any means of interstate commerce, unless the lots are either exempt or registered with the United States Department of Housing and Urban Development ("HUD"). The Act applies, if, by means of interstate commerce (e.g. print media, television, internet, etc.) are used to solicit offers to buy or to make offers to sell, regardless of whether the owner/developer has engaged in any advertising or other marketing or sales activities directed outside the state where the property is located.

65. The subject Lot is located in a subdivision and was sold by the Cliffs Defendants using means of interstate commerce such that the Act applies to the Lot. Furthermore, the subject Lot is not considered "exempt", as defined in the Act.

66. Unless a particular sale or lease is exempt from the registration requirements, the Act requires preparation and filing of a "Statement of Record" with HUD's Office of Interstate Land Sales Registration. The Statement of Record consists of two parts: a detailed disclosure document referred to as the Property Report, and an Additional Information and Documentation section (or

"AID") that provides additional information and documentation to support the representations made in the Property Report.

67. Upon information and belief, the Cliffs Defendants did not provide the Plaintiff a full Statement of Record, but only a Property Report.

68. Pursuant to the Act, the Cliffs Defendants were to provide a statement of record that included, *inter alia*, an accurate statement of the topography of the subdivision, a statement of the existence of any unusual conditions relating to safety which affect the subdivision and are known to the developer, and such other information and documents as being reasonably necessary or appropriate for the protection of the purchasers. Moreover, the Act required the Cliffs Defendants to provide the Plaintiffs with a Property Report that contained information necessary or appropriate in the public interest of for the protection of the purchasers such as the Plaintiffs.

69. Further in accordance with the Act, "it shall be unlawful for any developer or agent, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails ... to sell or lease any lot where any part of the statement of record or the property report contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein... to employ any device, scheme, or artifice to defraud; to obtain money or property by means of any untrue statement of a material fact, or any omission to state a material fact necessary in order to make the statements made (in light of the circumstances in which they were made and within the context of the overall offer and sale or

lease) not misleading, with respect to any information pertinent to the lot or subdivision; to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser...".

70. The Property Report provided by the Cliffs Defendants contained untrue statements of material facts and omitted to state material facts required to be stated therein. Specifically, the Cliffs Defendants failed to make any statement to the Plaintiffs regarding the abnormal geological condition of the property despite the fact that such a statement and associated facts were material and pertinent in light of the circumstances and within the context of the overall offer and sale. Moreover, the Cliffs Defendants made the following misrepresentations in the Property Report (see Exhibit "A"):

GENERAL TOPOGRAPHY

The general topography of the land within Keowee Falls South is a combination of gently rolling hills and valleys.

...

None of the lots in the subdivision contains any steep slopes, rock, outcropping, unstable or expansive soil conditions that could necessitate the use of special construction techniques to build.

...

DRAINAGE AND FILL

None of the lots require draining or fill prior to being used for the construction of residences.

FLOOD PLAIN

The subdivision is not located within a flood plain or an area designated by any federal, state or local agency as being prone to flooding. ...

FLOODING AND SOIL EROSION

We will provide temporary and permanent control measures within the subdivision which will aggressively control storm water, erosion and sediment control, including sodding and seeding in

areas of heavy grading or cut and fill, along with construction of diversion ditches and sediment control basins as necessary. ...

...

HAZARDS

We are not aware of any unusual safety factors or hazards that affect the subdivision or any proposed plans for construction that may create a future nuisance or safety hazard.

...

The lots covered by this Property Report are not subject to unusual natural hazards, and no federal, state or local agency has formally identified the area as one subject to the frequent occurrence of natural hazards.

71. The above referenced representations made by the Cliffs Defendants and their agents were misleading, and operated as a fraud and deceit upon the Plaintiffs, and were made in violation of the Act, for which the Plaintiffs hereby sue.

FOR A SEVENTH CAUSE OF ACTION

(Violation of the S.C. Unfair Trade Practices Act- The Cliffs Defendants)

72. The allegations of the preceding paragraphs are incorporated herein by reference.

73. The above described misrepresentations made by the Cliffs Defendants to the Plaintiffs were unfair and deceptive, as defined in the South Carolina Unfair Trade Practices Act, S.C. Code Ann. §§ 39-5-10, *et. seq.* (the "UTPA"), and have proximately caused the Plaintiffs to suffer an ascertainable loss of property and money.

74. The actions of the Cliffs Defendants affect the public interest because their actions are capable of repetition in the deception and defrauding of others, and, in fact, have been repeated in the deception and defrauding of

others, to include without limitation, the Plaintiffs' neighbors. The repeated actions of the Plaintiffs affect the public's interest.

75. The actions of the Cliffs Defendants were willful within the meaning and interest of § 39-5-140 of the UTPA.

76. As a direct and proximate result of the actions of the Cliffs Defendants, the Plaintiffs paid funds greater than the actual value of the Lot. As such, the violation of the UTPA entitles Plaintiffs to treble damages and reasonable attorneys' fees, for which the Plaintiffs hereby sue.

WHEREFORE, Kevin McCarthy and Courtney E. McCarthy pray for the following relief:

- a) Judgment against Defendants Cliffs Investment Group, LLC; The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Real Estate, Inc.; and The Cliffs Golf and Country Club, Inc. for the First Cause of Action in an amount to be determined by a jury, together with interest at the legal rate as determined and disbursements of this action, and for attorney's fees and costs;
- b) Judgment against Defendants Cliffs Investment Group, LLC; The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Real Estate, Inc.; and The Cliffs Golf and Country Club, Inc. for the Second Cause of Action in an amount to be determined by a jury, together with interest at the legal rate as determined and disbursements of this action, and for attorney's fees and costs;
- c) Judgment against Defendants Cliffs Investment Group, LLC; The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Real Estate, Inc.; and The Cliffs Golf and Country Club, Inc. for the Third Cause of Action in an amount to be determined by a jury, together with interest at the legal rate as determined and disbursements of this action, and for attorney's fees and costs;
- d) Judgment against Defendants Cliffs Investment Group, LLC; The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Real Estate, Inc.; and The Cliffs Golf and Country Club, Inc. for the Fourth Cause of Action in an amount to be determined by a

jury, together with interest at the legal rate as determined and disbursements of this action, and for attorney's fees and costs;

- e) Judgment against Defendant S&ME, Inc. for the Fifth Cause of Action in an amount to be determined by a jury, together with interest at the legal rate as determined and disbursements of this action, and for attorney's fees and costs;
- f) Judgment against Defendants Cliffs Investment Group, LLC; The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Real Estate, Inc.; and The Cliffs Golf and Country Club, Inc. for the Sixth Cause of Action for rescission, and judgment in an amount to be determined by a jury, compensatory damages, as well as interest, court costs, attorneys' fees, independent expert fees, and all travel costs to and from the Lot, together with interest at the legal rate as determined and disbursements of this action;
- g) Judgment against Defendants Cliffs Investment Group, LLC; The Cliffs Communities, LLC d/b/a The Cliffs at Keowee Falls South; Cliffs Real Estate, Inc.; and The Cliffs Golf and Country Club, Inc. for the Seventh Cause of Action for treble damages and attorneys' fees, together with interest at the legal rate as determined and disbursements of this action;
- h) For an award of attorneys' fees;
- i) For an award of the costs of this action; and
- j) For such other and further relief that this Court deems just and proper.

Respectfully submitted this 23 day of September, 2011.

KENISON, DUDLEY & CRAWFORD, LLC



Thomas E. Dudley, III (SC Bar # 66154)
M. Stokely Holder (SC Bar # 73892)
F. Lee Prickett, III (SC Bar # 76178)
704 E. McBee Avenue
Greenville, South Carolina 29601
PH: (864) 242-4899
FAX: (864) 242-4844
Attorneys for Plaintiffs

READ THIS PROPERTY REPORT BEFORE SIGNING ANYTHING

This Report is prepared and issued by the developer of this subdivision. It is NOT prepared or issued by the Federal Government.

Federal law requires that you receive this Report prior to your signing a contract or agreement to buy or lease a lot in this subdivision. However, NO FEDERAL AGENCY HAS JUDGED THE MERITS OR VALUE, IF ANY, OF THIS PROPERTY.

If you received this Report before you signed a contract or agreement, you may cancel your contract or agreement by giving notice to the seller any time before midnight of the seventh (7th) day following the signing of the contract or agreement.

If you did not receive this Report before you signed a contract or agreement, you may cancel the contract or agreement any time within two (2) years from the date of signing.

Name of Subdivision: The Cliffs at Keowee Falls South

Name of Developer: Keowee Falls Investment Group, LLC

Date of This Report: May 3, 2004

NPMB110643.3-RD-(B/FK) 021723-00082

PLAINTIFF'S
EXHIBIT

1-"A"

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NOTE: In this Property Report, the words "you" and "your" refer to the buyer. The words "we," "us," and "our" refer to the developer.

RISKS OF BUYING LAND

The future value of any land is uncertain and dependent upon many factors. DO NOT expect all land to increase in value.

Any value that your lot may have will be effected if the roads, utilities and all proposed improvements are not completed.

Resale of your lot may be difficult or impossible, since you may face the competition of our own sales program, and local real estate brokers may not be interested in listing your lot.

Any subdivision will have an impact on the surrounding environment. Whether or not the impact is adverse and the degree of impact, will depend on the location, size, planning, and extent of development. Subdivisions, which adversely affect the environment, may cause governmental agencies to impose restrictions on the use of the land. Changes in plant and animal life, air and water quality, and noise levels may affect your use and enjoyment of your lot and your ability to sell it.

In the purchase of real estate, many technical requirements must be met in order to assure that you receive proper title. Since this purchase involves a major expenditure of money, it is recommended that you seek professional advice before you obligate yourself.

- WARNINGS -

THROUGHOUT THE PROPERTY REPORT THERE ARE SPECIFIC WARNINGS CONCERNING THE DEVELOPER, THE SUBDIVISION, OR INDIVIDUAL LOTS. BE SURE TO READ ALL WARNINGS CAREFULLY BEFORE SIGNING ANY CONTRACT OR AGREEMENT.

GENERAL INFORMATION

This report covers two hundred thirty-seven (237) single-family building lots located in The Cliffs at Keowee Falls South in Oconee County, South Carolina. See page 24 for a listing of these lots. It is estimated that this subdivision will eventually contain approximately 950 lots.

The developer of this subdivision is:

Keowee Falls Investment Group, LLC
1849 Cleo Chapman Highway
Sunset, SC 29685

Telephone number: (864) 836-1120

Answers to questions and information about this subdivision may be obtained by telephoning the developer at the number listed above.

Please note the following additional warnings.

THE RECREATIONAL FACILITIES LOCATED, OR TO BE LOCATED, WITHIN THE CLIFFS AT KEOWEE FALLS SOUTH ARE OWNED BY A THIRD PARTY, PRIVATE CLUB AND NOT BY THE PROPERTY OWNERS' ASSOCIATION OF WHICH YOU WILL BE A MEMBER. USE OF THESE RECREATIONAL FACILITIES IS ONLY AVAILABLE TO PERSONS ACQUIRING A MEMBERSHIP IN THE PRIVATE CLUB. MEMBERSHIP AND USE OF THE RECREATIONAL FACILITIES ARE NOT INCLUDED IN THE PURCHASE PRICE OF A LOT. CURRENTLY, LOT OWNERS ARE ENTITLED TO APPLY FOR MEMBERSHIP SUBJECT TO AVAILABILITY AND PAYMENT OF THE MEMBERSHIP FEES, MONTHLY DUES AND USE FEES AS SET BY THE OWNER OF THE CLUB. YOU SHOULD CAREFULLY CONSIDER YOUR PURCHASE, IF IT IS BASED UPON AN ASSUMPTION THAT YOU WILL BE ABLE TO USE THE RECREATIONAL FACILITIES OWNED BY THE PRIVATE CLUB AND LOCATED WITHIN THE CLIFFS AT KEOWEE FALLS SOUTH. FURTHER INFORMATION REGARDING THE CLUB FACILITIES CAN BE FOUND ON PAGE 16 OF THIS PROPERTY REPORT.

-WARNING-

THE COST OF CLUB MEMBERSHIPS ARE SUBSTANTIAL AND NO REFUND OF THE PURCHASE PRICE OF YOUR LOT WILL BE MADE IF YOU ARE UNABLE TO BECOME A MEMBER.

TITLE TO THE PROPERTY AND LAND USE

GENERAL INSTRUCTIONS

A person with legal title to property generally has the right to own, use, and enjoy the property. A contract to buy a lot may give you possession but does not give you legal title. You will not have legal title until you receive a valid deed. A restriction or an encumbrance on your lot or on the subdivision could adversely affect your title.

Here we will discuss the sales contract you will sign and the deed you will receive. We will also provide you with information about any land use restrictions and encumbrances, mortgages, or liens affecting your lot and some important facts about payments, recording, and title insurance.

METHOD OF SALE

Sales Contract and Delivery of Deed

In connection with the purchase of a lot, you will sign a sales contract in which you will agree to pay cash for a lot. We have not arranged for any financing for purchasers, and you will be responsible for arranging your own financing if desired.

We will deliver the deed to the property to you on the date of closing. In any event, we must deliver a deed to you within 180 days after the date on which the sales contract is signed by you.

Type of Deed

The transfer of legal title to all lots in the subdivision will be by a general warranty deed.

Oil, Gas, and Mineral Rights

The mineral and metallic rights to all lots in this subdivision will belong to each lot purchaser.

ENCUMBRANCES, MORTGAGES, AND LIENS

There are blanket encumbrances, mortgages or liens on some of the lots included in this offering. Those are: (1) a Mortgage of Real Estate from Keowee Falls Investment Group, LLC to The National Bank of South Carolina ("NBSC"); (2) two Mortgages of Real Estate from Keowee Falls Investment Group, LLC to Mike Cannon, Brenda Cannon and Isaac Anthony Saad ("Cannon & Saad"); (3) two Mortgages of Real Estate from Keowee Falls Investment Group, LLC to John Martin ("Martin"); (4) a Mortgage of Real Estate from Keowee Falls Investment Group, LLC to S&C, Inc. ("S&C, Inc."); (5) a Mortgage of Real Estate from Keowee Falls Investment Group, LLC to Wachovia Bank ("Wachovia"); and (6) a Mortgage of Real Estate from Keowee Falls Investment Group, LLC to Regions Bank ("Regions"), each such Mortgage of Real Estate covering the lots so indicated in the Listing of Lots on page 24 below.

Release Provisions

We will obtain a release from the mortgage liens covering your lot at the time of closing. The release fees will be paid to the mortgage holder simultaneously with the closing of your lot, and a document evidencing the release shall be recorded prior to the recording of your deed.

Only we may exercise the release fees payable for each lot described above. Therefore, if we default on the mortgage prior to obtaining a release, you may lose your lot and all monies paid.

RECORDING THE CONTRACT AND DEED

Method and Purpose of Recording

The sales contract for the purchase of your lot does not contain acknowledgments, and therefore, may not be recorded. Under South Carolina law, recording a sales contract places third parties on notice that the subject property is under a contract for sale, but does not protect purchasers from claims of later purchasers or creditors of anyone having an interest in the land.

The deed to your lot may be recorded. It is the responsibility of the closing attorney to record the deed as soon as practicable after closing. You will be responsible for the cost of recording the deed. Under South Carolina law, recording a deed protects you from a claim by a third person after the date of recording the deed.

- WARNING -

UNLESS YOUR CONTRACT OR DEED IS RECORDED, YOU MAY LOSE YOUR LOT THROUGH THE CLAIMS OF SUBSEQUENT PURCHASERS OR SUBSEQUENT CREDITORS OF ANYONE HAVING AN INTEREST IN THE LAND.

Title Insurance

The developer will not purchase a title insurance policy on your behalf. ~~We recommend that you obtain an attorney's opinion of title or a title insurance policy that will describe the rights of ownership being acquired in the lot. We recommend that a professional interpret any title opinion or policy obtained.~~

PAYMENTS

Escrow

Pursuant to your contract, your earnest money deposits will be placed in a third party controlled trust account with Olson, Smith, Jordan & Cox, Attorneys at Law, whose address is PO Box 1633, Clemson, South Carolina 29633, Attention: Chris Olson, Esq.

The escrow agent will maintain your deposits in a segregated account. Your deposits will be maintained in a non-interest bearing attorney trust account. The escrow agent is responsible for disbursing funds at closing or otherwise as directed under your sales contract. In the event of a dispute, the escrow agent is authorized to pay over the funds to a court for settlement.

Prepayment

If an independent financial institution finances the purchase of your lot, you will need to review the financing documents to determine whether there is any prepayment penalty.

Default

In the event that the sale does not close because you default in the performance of your obligations under the terms of the sales contract, we must give you written notification of your default, and you will have 20 days after you receive the notice to correct the default. To the extent that such default is not corrected within said 20-day period, we have the right to terminate the sales contract and retain your earnest money deposit (not more than 10% of the purchase price) or seek all damages available under South Carolina law.

RESTRICTIONS ON THE USE OF YOUR LOT

Restrictive Covenants

The Declaration of Covenants, Conditions, and Restrictions for The Cliffs at Keowee Falls South have been recorded against the lots in the Oconee County Register of Deeds office. The restrictive covenants require lot owners to secure permissions, approvals, or take other actions prior to using or disposing of lots. These provisions will be discussed in the paragraphs below. This discussion will highlight only certain areas of the restrictive covenants and should not be a substitute for your careful study of them.

The restrictive covenants provide for our right, through an Architectural Review Committee ("ARC") to approve or disapprove the architectural plan for any house or lot improvement to be constructed on your lot, including staking, clearing, excavation, grading and other site work, exterior alteration of existing improvements, and planting or removal of landscaping materials. All plans must be submitted to the ARC for review and approval prior to commencement of any such work. The ARC may refuse to approve your plans and specifications on any grounds that are inconsistent with the restrictive covenants, including, but not limited to, purely aesthetic considerations, as long as such grounds are not arbitrary or capricious.

The restrictive covenants also contain a repurchase provision that provides that we as the Declarant, during the Declarant Control Period, have the right and option to purchase any Lot, or Dwelling within the Development which is offered for sale by the property owner, such option to be at the price and on the terms and conditions of any bona fide offer which is acceptable to the owner and which is made in writing to the owner. The owner will promptly submit a copy of the offer to us as Declarant, and we as Declarant will have a period of ten (10) business days (exclusive of Saturday, Sunday and Federal holidays) from and after the presentation of such offer to us in which to exercise the purchase option by giving the owner written notice of exercise in accordance with the restrictive covenants. If an owner provides a copy of the offer and we fail to respond or to exercise the purchase option within said ten (10) -day period, we will be deemed to have waived the purchase option. If we decline to exercise the purchase option, we as Declarant will execute an instrument evidencing our waiver of the repurchase option, which instrument will be in recordable form. In the event we decline to exercise the purchase option and the sale to a third party is not consummated on such terms and conditions set forth in the bona fide offer submitted to us within six (6) months of submission, or within the period of time set forth in such bona fide offer, whichever is later, the terms and limitations of the option to purchase will again be imposed upon any sale by the owner. If we as Declarant elect to purchase, the transaction will be consummated within the period of time set for closing in said bona fide offer, or within thirty (30) days following delivery of written notice by us to such Owner of our decision to so purchase such Lot or Dwelling, whichever is later.

Section 6.1 of the restrictive covenants requires that the exterior of all dwellings and other structures constructed upon a lot must be completed within eighteen (18) months after the construction commences, except where such completion is impossible or would result in great hardship to the owner or the builder due to strikes, fires, national emergencies or natural calamities. No dwelling may be occupied until construction is completed

and all necessary approvals of governmental authorities have been obtained. In addition, Article 6 sets out a number of restrictions on use of property within Keowee Falls South.

As additional lots are brought within the plan of development for Keowee Falls South, they are submitted to the restrictive covenants by the filing of a Supplemental Declaration of Covenants, Conditions and Restrictions. A Supplemental Declaration is filed on or before the closing of the first lot to which it relates, and may contain additional covenants, conditions and restrictions applicable solely to the lots described in such filing. For instance, if lots are to be part of a separately designated neighborhood, they may be subjected to additional covenants, restrictions and easements applicable only to the Lots within the designated neighborhood, and to neighborhood assessments for the maintenance, repair and replacement of the designated neighborhood's common property that the owners in the designated neighborhood have exclusive use.

Crescent Communities of S.C., LLC, the grantor of the land to us as the owner and developer of Keowee Falls South, has also imposed upon all the single-family lots hereunder General Deed Restrictions, which were appended to the deed to us.

A complete copy of these restrictive covenants is available upon request.

Basements

There are easements, which may affect your plans for building or using your lot, including drainage easements, and building set back easements as shown on the recorded plats for the subdivision. Each lot is surveyed to the centerline of the adjoining road, and, therefore, each lot is subject to a right-of-way easement over and across the front of the lot bordering the road and as shown on the recorded plat. Two or more Lots may also share a common access easement over and across one or more of the designated Lots for shared access, each such access being generally 30' wide, unless otherwise noted on the survey. The primary roads and shared access easements will be Common Areas to be maintained by the Association. Each Lot is subject to a 25' building setback on the front of the lot, measured from the right-of-way and easement line, unless otherwise indicated on the survey. Each lot is subject to a rear yard and side yard setback of 20', and each Lot bordering Lake Keowee is subject to a building setback of 50', measured from the 800' mean sea level ("MSL") contour, or 5' measured from the 804' MSL contour, whichever is greater.

Lots 11, 12, 20, 23, 25, and 27 in Emerald Bay (formerly known as, "Phase 1A") are subject to a 30' common access easement to Lake Keowee, which will be an Association Common Area providing ~~pedestrian~~ access to the lake. The same is true for Emerald Bay Lots 54, 55 and 56; Lots 28 and 29; and Lots 30 and 31, which are, as groups, also subject to 30' common access easements to Lake Keowee, to be Association Common Areas providing pedestrian access to the lake.

Emerald Bay Lots 46, 47 and 48 are subject to a trail easement.

Lots 64, 65, 68 and 69; Lots 9 and 10; Lots 10, 11 and 12; Lots 20 and 21; Lots 35 and 36, of Laurel Pointe are subject to a 30' common access easement to Lake Keowee; Lots 9 and 10, as well as Lots 10, 11 and 12, and Lots 20 and 21; Lots 63 and 64; Lots 65 and 66; Lots 72 and 73; Lots 74 and 75; and Lots 85 and 86, all in Laurel Pointe, are, as groups, subject to a 30' common access easement, which will be Association Common Areas, providing shared access to Lake Keowee.

Lots 2 and 3, Lots 8, 9 and 10, Lots 18 and 19, Lots 20 and 21, Lots 30, 31 and 32, Lots 38 and 39 of Jaspine Cove are subject to a 30' common access easement. Lot 83, Lots 87 and 88 of Emerald Bay are subject to a 30' common access easement.

In addition, Article 7 of the restrictive covenants sets forth certain easements relating to encroachments, utilities, access and development of additional property, golf balls, and the golf course. You are advised to read Article 7 of the restrictive covenants in its entirety for an understanding of the particular provisions relating to such easements.

The entire subdivision is subject to one or more recorded flood easements to Duke Power Company over and across those portions of the subdivision lying below 810' MSL, for backing, ponding, raising, flooding and diverting waters of the Keowee River and its tributaries that are incident to the construction, operation, maintenance, repair, altering or replacing the dam and electric power plant across the Keowee River and creating Lake Keowee, the spillway of which dam shall not exceed 800' MSL.

PLATS, ZONING, SURVEYING, PERMITS, AND ENVIRONMENT

Plats

The plats covering the lots in this Property Report have been filed of record in the Oconee County Register of Deeds office. The descriptions of the lots on the recorded plats are legally adequate for the conveying of the lots.

Zoning

The lots may be used for single-family residences in accordance with the restrictive covenants.

Surveying

Each lot will be surveyed and marked for identification on the recorded subdivision plat. There will be no charge to you for the cost of the survey.

Permits

In order to begin construction on your lot, you must obtain a building permit. A building permit may be obtained from the Oconee County Planning/Building Permits office located at 415 S. Pine Street, Walhalla, SC 29691. In addition to the approval of the ARC discussed in the "Restrictive Covenants" section of this Property Report, you must obtain a permit for the installation of a septic system from the South Carolina Department of Health and Environmental Control located at 200 Booker Drive, Walhalla, SC 29691.

Environment

No determination has been made as to the possible adverse effects the subdivision may have upon the environment and surrounding area.

ROADSACCESS TO THE SUBDIVISION

A public, two-lane road, paved with asphalt and having a wearing surface of 24 feet in width, provides access to the subdivision. This road is maintained by the South Carolina Department of Transportation. There is no direct cost to lot purchasers for maintenance or improvements of this road.

ACCESS WITHIN THE SUBDIVISION

Access within the subdivision will be provided to the lots by private, paved, two-lane roads as shown on the recorded plats filed of record in the Oconee County Register of Deeds office. We are responsible for the construction costs of the interior roads within the subdivision, and there is no cost to you for such construction. We have entered into an Escrow Agreement with Nexsen, Pruet, Jacobs & Pollard, LLC, pursuant to which we deposit into the escrow at the closing of each Lot in Phase I and Emerald Bay Lots 11-82 the sum of \$7,085.87 and at the Closing of Emerald Bay Lots 101-103 and Laurel Pointe Lots 2-50 \$10,325.40, which represents 125% of the South Carolina Registered Engineer's estimate of the cost to complete roads within the subdivision serving the identified lots, as well as the cost to complete related drainage facilities and central water service to those lots.

The roads within the subdivision are currently being cleared and graded to permit access by conventional automobile. After completion, the interior roads will be conveyed to and owned by the property owners association. The following chart reflects the current status of the arterial roadways in the subdivision.

Roads

Unit	Estimated starting date (month/year)	Percentage of construction complete	Estimated Completion Date (month/year)	Present surface	Final surface
Phase I					
2-3, 9-11, 18, 21, 23, 27-29, 32, 34-35, 37-39, 41, 43, 46, 49-56	1-Sep-2002	100%	Available	asphalt	asphalt
Emerald Bay 11-82	15-Jan-2003	60%	3/1/2006 *	gravel	asphalt
Emerald Bay 101-103	15-Jan-2003	30%	3/1/2006 *	gravel	asphalt
Laurel Pointe 2-50, 61-66, 67A, 67B, 68-84, 85A, 85B, 86-89	1-Aug-2003	60%	1-Sep-2006	gravel	asphalt
Jasmine Cove (1-42)	1-Jan-2004	40%	1-Jan-2007	gravel	asphalt

Unit	Estimated starting date (month/year)	Percentage of construction complete	Estimated Completion Date (month/year)	Present surface	Final surface
Emerald Bay 83-93	1-Jan-2004	60%	1-Jan-2007	gravel	asphalt
<p>* The estimated completion dates for roads in the Emerald Bay Lots 11-82 phase was previously amended to September 1, 2004 because we failed to achieve development goals required for an earlier estimated completion date of January 2004. We have further amended the completion for Lots 11-82 to March 1, 2006 because we are unable to meet the September 1, 2004 completion date; and have further amended the previous estimate for Emerald Bay Lots 101-103 to March 1, 2006 because we are unable to meet the earlier estimate of September 1, 2004.</p>					

We are responsible for maintenance of the interior roads until they are conveyed to the property owners association. After completion, the roads will be conveyed to the property owners association, which will assume full responsibility for maintenance of the roads.

An annual budget prepared by the property owners association includes assessments for contributions by the owners for the cost to maintain the roads, and therefore, all lot owners contribute to the maintenance costs of the roads. The roads will be maintained so as to permit access to lots on a year round basis.

The table below identifies the distance (in miles) from the center of the subdivision to nearby communities.

Community Name	Population	Distance Over Paved Roads (miles)	Distance Over Unpaved Roads (miles)	Total Distance
Walhalla	3,801	6-20	1	21
Salem	126	5	1	6
Seneca	8,200	14	1	15

Walhalla is the County seat of Oconee County, South Carolina.

UTILITIES

Here we will discuss the availability and costs of basic utilities. The areas covered will be water, sewer, electricity, telephone, and fuel or other energy sources.

-WATER

Central System

Water will be supplied to individual lots by a central water system. The supplier of water is Salem Water Company. The address for the supplier is Salem Water Company, 5-A Park Avenue, Salem, SC 29676.

Water lines will be extended in front of or adjacent to all lots in this offering. The current percentage of completion and the estimated availability dates for water service are set forth in the table below.

Water

Unit	Estimated starting date (month/year)	Percentage of construction complete	Estimated service availability date (month/year)
Phase 1			
2-3, 9-11, 18, 21, 23, 27-29, 32, 34-35, 37-39, 41, 43, 46, 49-56	1-Feb-2003	100%	Available
Emerald Bay 11-82	9/1/2004 *	0%	1/1/2005 *
Emerald Bay 101-103	9/1/2004 *	0%	1/1/2005*
Laurel Pointe 2-50, 61-66, 67A, 67B, 68-84, 85A, 85B, 86-89	12/1/2004 *	0%	7/1/2005 *
Jasmine Cove 1-42	1/1-Jan-2005	0%	1/1-Jan-2007

Unit	Estimated starting date (month/year)	Percentage of construction complete	Estimated service availability date (month/year)
Emerald Bay 83-93	1-Jan-2005	0%	1-Jan-2007
<p>* The estimated start date for water in the Emerald Bay Lots 11-82 phase was previously amended to April 1, 2004 because we failed to achieve development goals required for an earlier estimated start date of January 2004. We have further amended the estimated construction start for Lots 11-82 to September 1, 2004 because we are unable to meet the April 1, 2004 start date, and have, as a result, amended the estimated completion date from January 1, 2005 to September 1, 2005. We have further amended the previous estimated start date for Emerald Bay Lots 101-103 to September 1, 2004 because we are unable to meet the earlier estimate of April 1, 2004, and have, as a result, amended the estimated completion date from January 1, 2005 to September 1, 2005. The estimated start date for water in the first phase of Laurel Pointe has also been amended to December 1, 2004 because we are unable to achieve development goals required for the earlier estimated construction start date of July 1, 2004, and have, as a result, amended the estimated completion date from July 1, 2005 to December 1, 2005.</p>			

The present capacity of the central water system is sufficient to supply all of the lots in this subdivision. Water lines will not be extended to lots in future phases until the developer sells lots in said phases.

We are responsible for the construction and installation costs of extending central water service to your lot, and there is no cost to you for such construction and installation. We have entered into an Escrow Agreement with Nexsen, Pruet, Jacobs & Pollard, LLC, pursuant to which we deposit into the escrow at the closing of each Lot in Phase 1 and Emerald Bay Lots 11-82 the sum of \$7,085.87 and at the Closing of Emerald Bay Lots 101-103 and Laurel Pointe Lots 2-50 \$10,325.40, which represents 125% of the South Carolina Registered Engineer's estimate of the cost to complete central water service within the subdivision serving the identified lots, as well as the cost to complete related facilities and roads to those lots.

-WARNING-

THERE IS NO FINANCIAL ASSURANCE FOR ANY FUTURE EXPANSION OF THE WATER SYSTEM BEYOND THAT WHICH IS NECESSARY TO SERVE THE LOTS IN THIS INITIAL FILING.

~~There will be no cost to you for installation or construction of the water lines from the central water system to your lot. However, you will be responsible for the cost of constructing or installing lines from the lot line to the residence at an estimated cost of \$4.00 per linear foot.~~

If you purchase a lot prior to the date that the central water system is available to your lot, you may not install a private well or other water system. Use of the central water system is mandatory.

SEWER

Individual Systems

Septic tanks will be used for sewage disposal. Each lot must be individually evaluated for suitability as to the use of a septic system by the issuer of the permit. You will be responsible for the costs of construction of

your individual system. A permit for constructing an individual sewage disposal system must be obtained from the South Carolina Department of Health and Environmental Control located at 200 Booker Drive, Walhalla, SC 29691, at a cost of \$105.

Lot owners will be required to have their individual sewage disposal system designed by a licensed installer. The total cost of installing an individual septic system on your lot, including the necessary testing, is estimated to be between \$1,000 and \$30,000 depending on the terrain of your lot and house size.

You will be responsible for maintaining and pumping the individual septic system on a regular basis. A pumping and hauling service is available, and the estimated cost of that service for a family of four living in a house on a year-round basis is \$300 to \$500.

-WARNING-

WE CANNOT PROVIDE ASSURANCE THAT YOUR LOT WILL BE APPROVED FOR A PERMIT FOR THE INSTALLATION AND USE OF AN INDIVIDUAL SEWAGE DISPOSAL SYSTEM. IF YOUR LOT IS NOT APPROVED FOR A PERMIT AND WE ARE UNABLE TO RESOLVE THE PROBLEM SO AS TO PERMIT SUCH INSTALLATION AND USE OF A SEPTIC SYSTEM WITHIN 60 DAYS AFTER WE RECEIVE NOTICE OF DISAPPROVAL, WE WILL REFUND THE PURCHASE PRICE OF YOUR LOT. PLEASE REFER TO YOUR CONTRACT OF SALE FOR SPECIFIC INFORMATION REGARDING THIS CONTRACTUAL OBLIGATION.

ELECTRICITY

Duke Power will provide electrical service to the subdivision.

Primary electrical service lines will be extended to the front of or adjacent to all lots in the subdivision. Duke Power will be responsible for construction of the lines, and there will be no cost to you.

The current percentage of completion and the estimated availability dates for electrical service are set forth in the table below.

Electricity

Unit	Estimated starting date (month/year)	Percentage of construction complete	Estimated service availability date (month/year)	Cost to Complete
Phase 1				
2-3, 9-11, 18, 21, 23, 27-29, 32, 34-35, 37-39, 41, 43, 46, 49-56	24-Mar-2003	100%	Available	\$0.00
Emerald Bay 11-82	4/1/2004 *	0%	1/1/2005 *	\$0.00
Emerald Bay 101-103	1-Apr-2004	0%	1-Jan-2005	\$0.00

Unit	Estimated starting date (month/year)	Percentage of construction complete	Estimated service availability date (month/year)	Cost to Complete
Laurel Pointe 2-50, 61-66, 67A, 67B, 68-84, 85A, 85B, 86-89	1-Jul-2004	0%	1-Jul-2004	\$0.00
Jasmine Cove 1-42	1-Jan-2005	0%	1-Jan-2007	
Emerald Bay 83-93	1-Jan-2005	0%	1-Jan-2007	
<p>* The estimated start date for electricity in the Emerald Bay Lots 11-82 phase was previously amended to April 1, 2004 because we failed to achieve development goals required for an earlier estimated start date of January 2004, and have, as a result, amended the estimated completion date from January 1, 2005 to September 1, 2005.</p>				

Duke Power will be responsible for maintenance of the electric service lines. You will not be responsible for any construction costs in connection with construction of the electric service lines to your lot. You will be responsible for installing electric lines within each lot and dwelling. You may be charged a hook-up service fee, and such charge is subject to change.

-WARNING-

THERE ARE NO FUNDS SET ASIDE IN AN ESCROW OR TRUST ACCOUNT NOR HAVE ANY OTHER FINANCIAL ARRANGEMENTS BEEN MADE TO ASSURE COMPLETION OF THE ELECTRIC LINES.

(TELEPHONE)

Bell South will provide telephone service. Service lines are or will be extended in front of or adjacent to each of the lots in this filing. You will not be responsible for any construction costs in connection with the telephone service lines. You will be responsible for installing telephone lines within each lot and dwelling. The current percentage of completion and the estimated availability dates for electrical service are set forth in the table below.

Telephone

Unit	Estimated starting date (month/year)	Percentage of construction complete	Estimated service availability date (month/year)
Phase I			
2-3, 9-11, 18, 21, 23, 27-29, 32, 34-35, 37-39, 41, 43, 46, 49-56	1-Jan-2004	0%	1-Jun-2004
Emerald Bay 11-82	1-Jun-2004	0%	1-Jan-2005
Emerald Bay 101-103	1-Jun-2004	0%	1-Jan-2005
Laurel Pointe 2-50, 61-66, 67A, 67B, 68-84, 85A, 85B, 86-89	1-Jul-2004	0%	1-Jul-2005*
Jasmine Cove 1-42	1-Jan-2005	0%	1-Jan-2007
Emerald Bay 83-93	1-Jan-2005	0%	1-Jan-2007
* The estimated completion date for telephone in the first phase of Laurel Pointe has been amended to January 1, 2005 because we are unable to achieve development goals required for the earlier estimated construction completion date of July 1, 2004.			

FUEL OR OTHER ENERGY SOURCE

There is no other fuel or energy source than the electrical service.

FINANCIAL INFORMATION

We were formed on September 10, 2002. From our formation to the date hereof, we have engaged primarily in development activities. Nevertheless, we have experienced an operating loss that may affect our ability to discharge our financial obligations.

A copy of our financial statements for the period ending December 31, 2003 is available from us upon request.

LOCAL SERVICES

In this topic, we will discuss the availability of fire and public protection and the location of schools, medical care, shopping facilities, mail services and public transportation.

FIRE PROTECTION

Salem Fire & Rescue Squad, approximately 5 miles from the subdivision, provides fire protection to the subdivision. Fire protection is available year round.

POLICE PROTECTION

The Oconee County Sheriff's Department provides police protection. Police protection is available year round.

SCHOOLS

The elementary school available to residents of the subdivision is Tamassee/Salem Elementary School, located approximately 5 1/4 miles from the subdivision. Tamassee/Salem Middle School is located approximately 5 miles from the subdivision, and Tamassee/Salem High School is located approximately 5 miles from the subdivision. School bus transportation is available from within the subdivision.

HOSPITAL

Oconee Memorial Hospital, located on 298 Memorial Drive in Seneca, South Carolina, is the nearest hospital to the subdivision, located approximately 16.4 miles from the Nimmons Bridge Road main gate to the subdivision. Ambulance service is available.

PHYSICIANS AND DENTISTS

The nearest Physicians office is located in Walhalla, South Carolina. The nearest Dentist office is located in Walhalla, South Carolina.

SHOPPING FACILITIES

Nearby shopping facilities include Key Mart Grocery, Amoco Gas Station, Wine Emporium and Hair Loft approximately 3.7 miles from the Nimmons Bridge Road main gate to the subdivision. Wachovia Bank is approximately 5.1 miles from the subdivision; Bi-Lo Grocery, Ingles Grocery and CVS Pharmacy approximately 13.6 miles; Eckerd Drugs approximately 13.8 miles; Lowes Home Improvement approximately 16.4 miles; and The Home Depot approximately 17.0 miles from the subdivision.

MAIL SERVICE

Mail for the subdivision will be by general delivery to individual lots located within the subdivision.

PUBLIC TRANSPORTATION

Public transportation is not available in the subdivision. The nearest public transportation is available in Clemson, South Carolina, approximately 15 miles from the subdivision.

RECREATIONAL FACILITIES

We will now discuss the recreational facilities located within the subdivision described in this report. The property owners association does not own any recreational facilities, and none of your assessments paid to the property owners association will be applied to the costs and expenses of maintaining the private recreational facilities described below.

The property owners association will not own or contribute to the construction or maintenance of the recreational facilities described in this section. Memberships to use the recreational facilities described below are available to lot owners only and are not available for public use. The facilities will be owned and operated by The Cliffs at Keowee Falls South Golf and Country Club, LLC (the "Club"), which is currently an affiliated entity.

THE CLIFFS AT KEOWEE FALLS SOUTH GOLF & COUNTRY CLUB

THE RECREATIONAL FACILITIES TO BE LOCATED IN THE SUBDIVISION WILL BE OWNED AND OPERATED BY THE CLIFFS AT KEOWEE FALLS SOUTH GOLF & COUNTRY CLUB, LLC, A PRIVATE, NON-EQUITY CLUB OWNED BY AN AFFILIATE OF THE DEVELOPER. THE FACILITIES WILL BE AVAILABLE SOLELY TO ITS MEMBERS. YOUR PURCHASE OF A LOT IN THIS SUBDIVISION GIVES YOU NO RIGHT TO USE THE FACILITIES OF THE CLUB UNLESS YOU ARE A MEMBER. THERE IS NO ASSURANCE THAT YOUR APPLICATION FOR MEMBERSHIP WILL BE ACCEPTED. THE INITIAL COST OF A MEMBERSHIP AND SUBSEQUENT ANNUAL DUES WILL BE SUBSTANTIAL. AT PRESENT, THE INITIAL COST OF A FULL "KEOWEE FALLS SOUTH GOLF MEMBERSHIP" IS ESTIMATED TO BE SEVENTY-FIVE THOUSAND AND NO/100 (\$75,000) DOLLARS, AND THE ANNUAL DUES ARE ESTIMATED TO START AS HIGH AS FOUR THOUSAND EIGHT HUNDRED AND NO/100 (\$4,800.00) DOLLARS. THE COST OF A MEMBERSHIP WILL BE SUBSTANTIAL AND NO REFUND OF THE PURCHASE PRICE OF YOUR LOT WILL BE MADE IF YOU DO NOT BECOME A MEMBER OF THE PRIVATE CLUB. A MEMBERSHIP IN THE CLUB IS NOT TRANSFERABLE EXCEPT TO THE CLUB AND PURSUANT TO STRINGENT REQUIREMENTS SET FORTH IN THE CLUB DOCUMENTS. ANY PERSON TO WHOM YOU SELL YOUR LOT WILL HAVE TO APPLY FOR MEMBERSHIP AND BE ACCEPTED FOR MEMBERSHIP, AND PAY AN INITIATION DEPOSIT AND ANNUAL DUES, WHICH ARE OR MAY BE SUBSTANTIAL. YOUR FAILURE OR THE FAILURE OF THE PERSON TO WHOM YOU SELL YOUR LOT TO BECOME A MEMBER MAY ADVERSELY AFFECT THE VALUE OF YOUR LOT. YOU SHOULD CAREFULLY CONSIDER YOUR PURCHASE OF A LOT IN THIS SUBDIVISION IF IT IS BASED UPON THE ASSUMPTION THAT A MEMBERSHIP IN THE CLIFFS AT KEOWEE FALLS SOUTH GOLF & COUNTRY CLUB WILL BE AVAILABLE TO YOU OR TO ANYONE TO WHOM YOU SELL YOUR LOT. FURTHERMORE, EVEN THOUGH THE CLUB FACILITIES ARE LOCATED IN THE SUBDIVISION, NO IMPLICATION IS INTENDED OR SHOULD BE DRAWN THAT THE CLUB FACILITIES ARE MAINTAINED FOR LOT OWNERS WITHIN THE SUBDIVISION.

The following chart lists the facilities of The Cliffs at Keowee Falls South Golf & Country Club, LLC, which lists the estimated date of the start of construction, the percentage of construction now complete, the estimated date of availability, financial assurance of completion and the estimated annual cost or assessment.

Facility	Percentage of construction now complete	Estimated date start of construction (month/year)	Estimated date available for use (month/year)	Financial assurance of completion	Buyer's annual cost or assessments
					The use of these facilities is dependent upon separate membership agreements between the lot owner and the owner of the facilities. No cost for the use of these facilities is assessed against Lot purchasers by the owners' association.
Golf Course	0%	April, 2005	April, 2007 *	None	
Clubhouse	0%	April, 2005	April, 2007 *	None	
Wellness Center	0%	April, 2006 *	April, 2008 *	None	
* The estimated completion date for the golf course and clubhouse has been amended to April, 2007 because the Club has advised us it is unable to achieve development goals required for the earlier estimated construction completion date of September, 2006. The estimated start date for the wellness facilities has been amended to April, 2006 because the Club is unable to achieve its development goals required for an earlier estimated start date of April, 2005 and has, as a result, amended the estimated completion date from April, 2007 to April, 2008.					

- WARNING -

WE DO NOT OWN THE RECREATIONAL FACILITIES; THEREFORE, WE CANNOT ASSURE THEIR CONTINUED AVAILABILITY

CONSTRUCTING THE FACILITIES

The Club is responsible for the construction of the facilities described above. Lot purchasers are not required to contribute to the construction costs of the facilities.

MAINTAINING THE FACILITIES

The Club will operate and be responsible for maintenance of the facilities.

TRANSFER OF FACILITIES

The Club will own the facilities. The recreational facilities of the Club are subject to transfer at the discretion of the Club, and are not common areas as described in the restrictive covenants.

PERMITS

The permits to construct the recreational facilities are not in place at this time; therefore, there is no assurance that members of the Club will be able to use the facilities.

WHO MAY USE THE FACILITIES

Membership in the Club is available only to lot owners and is not available to the public. Social Athletic Memberships are available to lot owners who make application for such memberships. A Social Athletic membership in the Club entitles lot owners to use the recreational facilities of the Club, except for the golf course. Subject to availability, lot owners may become eligible to utilize the golf facilities of the Club by acquiring a Golf Membership in the Club within 30 days from closing the acquisition of a lot. Until the Club's facilities are completed within the subdivision, Club members will have only reciprocal use privileges at affiliated Cliffs golf and country club facilities. Unless the initial lot owner elects to purchase a Golf Membership, future lot owners may not be able to use the facilities or acquire such memberships. Upon the resale of your lot you are required to resign all your memberships in the Club and receive a refund of 100% of the amount you paid for the membership at closing. The purchaser of your lot may be required to purchase a membership at the then current purchase price. See your contract of sale for more information regarding the terms and conditions of membership and use of the recreational facilities.

SUBDIVISION CHARACTERISTICS AND CLIMATE

In this section, we will discuss the basic terrain of this subdivision, its climate, and any nuisance or hazards in this area.

GENERAL TOPOGRAPHY

The general topography of the land within Keowee Falls South is a combination of gently rolling hills and valleys.

Approximately sixteen percent (16%) of the subdivision will remain as natural open space.

None of the lots in this subdivision contains any steep slopes, rock, outcropping, unstable or expansive soil conditions that could necessitate the use of special construction techniques to build.

WATER COVERAGE

None of the lots or portions of lots are covered by water at any time during the year.

DRAINAGE AND FILL

None of the lots require draining or fill prior to being used for the construction of residences.

FLOOD PLAIN

The subdivision is not located within a flood plain or an area designated by any federal, state or local agency as being prone to flooding. Flood insurance is available, but is not customarily required in connection with financing for improvements on lots.

FLOODING AND SOIL EROSION

We will provide temporary and permanent control measures within the subdivision which will aggressively control storm water, erosion and sediment control, including sodding and seeding in areas of heavy grading or cut and fill, along with construction of diversion ditches and sediment control basins as necessary. The overall program is under development and is expected to be complete as each phase is completed. There is no financial assurance for completion of the program.

The measures to be exercised by the architectural control committee in the subdivision will include the requirement that each lot owner and/or builder furnish and comply with a temporary and permanent plan for controlling storm water, erosion and sediment during and after construction on a lot.

NUISANCES

We know of no land uses in close proximity of the subdivision that would adversely affect the subdivision.

HAZARDS

We are not aware of any unusual safety factors or hazards that affect the subdivision or any proposed plans for construction that may create a future nuisance or safety hazard. You should understand, however, that some lots in the subdivision are or will be adjacent or in close proximity to a golf course and other club facilities located in the subdivision, and that you might consider the flight and landing of golf balls, the noise of club recreational and maintenance activities, the spraying of chemicals and pesticides (in accordance with regulations applicable thereto) and other similar activities incident to the normal operation of a private club to be a nuisance or hazard.

YOU SHOULD CAREFULLY CONSIDER YOUR PURCHASE, IF IT IS BASED UPON AN ASSUMPTION THAT NORMAL RECREATIONAL AND MAINTENANCE ACTIVITIES INCIDENT TO OPERATIONS OF THE RECREATIONAL FACILITIES OWNED BY THE PRIVATE CLUB AND LOCATED WITHIN THE CLIFFS AT KHOWEE FALLS SOUTH MAY NEVER IMPACT AN OWNER'S USE AND ENJOYMENT OF A LOT IN THE SUBDIVISION.

The lots covered by this Property Report are not subject to unusual natural hazards, and no federal, state or local agency has formally identified the area as one subject to the frequent occurrence of natural hazards.

The South Carolina Department of Insurance has established a rating system for fire hazards based on the availability of water, the capability of the fire department and emergency communications systems. The rating for the subdivision is nine (9) on a scale from one to ten with ten representing the minimum recognized protection.

CLIMATE

The average temperature ranges for the area in which the subdivision is located are as follows:

	Summer	Winter
High	88.2°	50.0°
Low	68.3°	30.0°
Mean	78.2°	40.0°

The average rainfall is 51.27 inches per year. The average snowfall is 5.9 inches per year.

OCCUPANCY

There are currently no homes occupied on a full time basis as of the date of this Report.

exercise architectural control over construction and landscaping within the subdivision through our establishment of an architectural review committee ("ARC") and the appointment of its members. We reserve the right, but shall not have the obligation until 3 years following the expiration of our Declarant Control Period, to assign the ARC powers to the Association.

The projected income from assessments is estimated to be adequate; however, until there are sufficient owners to maintain the required level of funds, The Cliffs at Keowee Falls South, LLC will subsidize the property owners associations as necessary.

(TAXES)

Your obligation to pay taxes begins upon transfer of title. Taxes are paid to the Oconee County Tax Assessor. Taxes on an unimproved lot after transfer of title to you are based on 2003 ad valorem taxes, \$20.50 for every \$100.00 of assessed value, and unimproved lots are assessed at 6% of fair market value. Therefore, you would expect to be taxed \$1.23 for each \$100 of fair market value, based upon 2003 ad valorem taxes.

RESALE OR EXCHANGE PROGRAM

The restrictive covenants require that any sign, including "for sale" signs, must be approved by the ARC prior to posting.

As a developer, we have no program to assist you in the resale of your lot. An on-site broker will be available for your use in reselling your lot should you so choose.

We currently offer a Lot Exchange and Priority Selection Agreement. The exchange program is a trade-up program whereby the buyer entering into such agreement will be given at least one opportunity on a priority basis commensurate with a priority number issued by us in the order in which such agreements are fully executed, to choose among select lots offered by us in a future development phase. A buyer wishing to trade up must choose, from among the select lots offered by us, a lot that exceeds by \$100,000 or more the amount paid for the owned lot offered in trade, and the buyer will be given credit for the purchase price of the trade-in lot against the price of the chosen lot into which the buyer would trade. There are no currently subdivided lots set aside by us to meet a future demand by each and every person that may enter into a Lot Exchange and Priority Selection Agreement, but with a total of 2,200 acres comprising our property that we anticipate developing in future development phases and adding to the subdivision, at full development planned for 950 lots, we are confident of our ability to develop the requisite number of lots necessary to satisfy each person entering into a Lot Exchange and Priority Selection Agreement and with whom we will be contractually obligated to offer such an exchange lot.

WARNING

WE HAVE NOT SET ASIDE OR RESERVED ANY SPECIFIC LOTS FOR FUTURE EXCHANGE OPPORTUNITIES, AND WE DO NOT HAVE ANY OTHER PROGRAM THAT GUARANTEES THAT YOU WILL BE ABLE TO EXCHANGE YOUR LOT FOR ANOTHER.

EQUAL OPPORTUNITY IN LOT SALES

We are in compliance with Title VII of the Civil Rights Act of 1968 in that we do not directly or indirectly discriminate on the basis of race, religion, sex, or national origin in any of the following general areas: lot marketing and advertising, rendering of lot services, and requiring terms and conditions on lot sales and leases.

LISTING OF LOTS

THE CLIFFS AT KEOWEE FALLS SOUTH				
PHASE 1				
Lot Number	Plat Book	Pages	Plat Recording Date	Mortgage Holder
2-3, 49-56	A928	5-10	March 19, 2003	NBSC
9-11, 21, 34-35, 39, 43, 46, 48	A912	1-6	Nov. 18, 2002	NBSC
18	A912	1-6	Nov. 18, 2002	Cannon & Saad & Wachovia
23, 27	A912	1-6	Nov. 18, 2002	Martin & Wachovia
28, 29	A912	1-6	Nov. 18, 2002	Cannon & Saad & Wachovia
32	A912	1-6	Nov. 18, 2002	Martin & Wachovia
37, 38, 41	A912	1-6	Nov. 18, 2002	S&C & Wachovia
TOTAL REGISTERED PHASE 1 LOTS:			29	
TOTAL REGISTERED PHASE 1 LOTS ACRES:			44.340	

EMERALD BAY LOTS 11-82 (FORMERLY PHASE 1A)				
Lot Number	Plat Book	Pages	Plat Recording Date	Mortgage Holder
13-14, 22, 24, 26-34, 39-58, 60-61, 63, 65-66, 68-70, 72-73, 76-78, 80	A933	5-10	April 4, 2003	Regions Bank
11-12, 15-21, 23, 25, 35-38, 59, 62, 64, 67, 71, 74-75, 79, 81-82	A948	5-10	June 30, 2003	Regions Bank
TOTAL REGISTERED EMERALD BAY LOTS 11-82:			72	
TOTAL REGISTERED EMERALD BAY LOTS 11-82 ACRES:			104.710	

EMERALD BAY LOTS 101-103				
Lot Number	Plat Book	Pages	Plat Recording Date	Mortgage Holder
101-103	A959	9 & 10	August 26, 2003	Regions Bank
TOTAL REGISTERED EMERALD BAY LOTS 101-103:			3	
TOTAL REGISTERED EMERALD BAY 101-103 ACRES:			4.200	

LAUREL POINTE LOTS 2-50, 61-89				
Lot Number	Plat Book	Pages	Plat Recording Date	Mortgage Holder
2-8, 11-13, 18-19, 24-25, 28-32	A959	5-6	August 26, 2003	Regions Bank
9-10, 14-17, 20-23, 26-27	A971	5-6	October 30, 2003	Regions Bank
33-34, 37, 40-50	A959	7-8	August 26, 2003	Regions Bank
35-36, 38-39	A971	7-8	October 30, 2003	Regions Bank
71-73, 76-83, 86-89	A960	1-2	August 26, 2003	Regions Bank
61-66, 67A, 67B, 68-70, 74-75, 84, 85A, 85B	A971	9-10	October 30, 2003	Regions Bank
TOTAL REGISTERED LAUREL POINTE LOTS 2-50, 61-89:			80	
TOTAL LAUREL POINTE 2-50, 61-89 ACRES:			139.910	

JASMINE COVE LOTS 1-42				
Lot Number	Plat Book	Pages	Plat Recording Date	Mortgage Holder
1-17	993	4-5	March 19, 2004	Regions Bank
18-42	993	6-7	March 19, 2004	Regions Bank
TOTAL REGISTERED JASMINE COVE 1-42:			42	
TOTAL REGISTERED JASMINE COVE 1-42 ACRES:			74.390	

EMERALD BAY LOTS 83-93				
Lot Number	Plat Book	Pages	Plat Recording Date	Mortgage Holder
83-93	993	8-9	March 19, 2004	Regions Bank
TOTAL REGISTERED EMERALD BAY LOTS 83-93:			11	
TOTAL REGISTERED EMERALD BAY 83-93 ACRES:			23.070	

COST SHEET, SIGNATURE OF SENIOR EXECUTIVE OFFICER

COST SHEET

In addition to the purchase price of your lot, there are other expenditures that must be made. Listed below are the major costs. All costs are subject to change.

		<u>Sales Price</u>	\$ _____
Cash Price of Lot			
		<u>Estimated One-Time Charges</u>	
1.	Water Tap Fee		\$ <u>550.00</u>
2.	Water Service Deposit		\$ <u>25.00</u>
3.	Electric connection fee		\$ _____
4.	Installation charge for telephone (connection)		\$ _____
5.	Architectural Review Fee		\$ <u>1,000.00</u>
6.	Architectural review Construction Deposit -		\$ <u>5,000.00</u>
7.	Septic Permit		\$ <u>105.00</u>
8.	Septic Tank Costs (\$3,000 - \$30,000)		\$ _____
9.	Capitalization of property owners association		\$ <u>100.00</u>
Total of estimated sales price and one-time charges			\$ _____
		<u>Estimated annual charges, exclusive of utility use fees</u>	
1.	Taxes -- Average unimproved lot after sale to purchaser		\$ _____
2.	The Cliffs at Keowee Falls South Owners' Association		\$ _____

The information contained in this Property Report is an accurate description of our subdivision and development plans.

Keowee Falls Investment Group, LLC

By: _____

James B. Anthony

Title: President

RECE AGENT CERTIFICATION, AND CANCEL ION PAGE

PURCHASER RECEIPT
IMPORTANT -- READ CAREFULLY

Name of Subdivision: The Cliffs at Keowee Falls South

ILS Number: 30856

Date of Report: May 3, 2004

We must give you a copy of this Property Report and give you an opportunity to read it before you sign any contract or agreement. By signing this receipt, you acknowledge that you have received a copy of our Property Report.

Received by: _____ Date: _____

Street Address: _____

City _____ State _____ Zip Code _____

If any representations are made to you, which are contrary to those in this Report, please notify:

Office of Interstate Land Sales Registration
HUD Building, 451 Seventh Street, S. W.
Washington, D.C. 20410

AGENT CERTIFICATION

I certify that I have made no representations to the person(s) receiving this Property Report, which are contrary to the information contained in this Property Report.

Lot 32 Section 1C

Name of Salesperson: J. D. Scott

Signature: _____ Date: 6-20-05

PURCHASER CANCELLATION

If you are entitled to cancel your purchase contract and wish to do so, you may cancel by personal notice or in writing. If you cancel in person or by telephone, it is recommended that you immediately confirm the cancellation by certified mail. You may use the form below:

Name of Subdivision: The Cliffs at Keowee Falls South

Date of Contract: _____

This will confirm that I/we wish to cancel our purchase contract.

Purchaser(s) signature: _____ Date: _____

JUN-21-2005 11:05

TRAVER GREEN WAHLEN

P. 03/08

THE CLIFFS COMMUNITIES

REAL ESTATE SALE AND PURCHASE AGREEMENT

THIS REAL ESTATE SALE AND PURCHASE AGREEMENT (the "Agreement") made by and between the below-named seller (the "Seller") identified on the Seller's signature page below (the "Seller"), whose mailing address is as set forth on page 6, and the below-named purchaser (the "Purchaser") identified on the Purchaser's signature page below.

Part I. Identifications

- A. The Lot and What is Included in Price. The property to be purchased (the "Lot") is located in Section JC, Lot 32, Cliffs at Keowee Falls South

The Lot is listed for sale for \$ 1,140,000.00

The purchase of the Lot does not include a membership in the Golf and Country Club (the "Club"), which is reserved solely to its members in accordance with the use rights conferred by the Club Membership Plan for the categories and classifications of membership offered. Seller does not operate the Club. The Club is operated by The Cliffs Golf & Country Club, Inc. Seller will, however, discount the list price of the Lot by \$35,000 if Purchaser agrees to acquire a membership, and Purchaser will pay that amount at Closing toward a membership.

Check one of the following:

JKM
(Initial)

- ☒ If checked and initialed, Purchaser wishes to acquire a membership in the Club, either a Cliffs Family Membership or a Cliffs Golf Membership, and wishes to receive a \$35,000 discount and apply it toward the required membership deposit, and has attached hereto a signed Club Membership Addendum. While Purchaser is guaranteed the availability of a golf membership under the Membership Plan only if Purchaser acquires one within 30 days following Purchaser's Closing. Purchaser will receive the discount only if the membership is acquired at the Closing. If this paragraph is checked and initialed, the Purchase Price in Paragraph B below is net of the discount.

JKM
(Initial)

- ☐ If checked and initialed, Purchaser does not wish to acquire a membership in the Club at this time. Purchaser understands that membership is subject to availability at the time Purchaser may wish to acquire one, and is not guaranteed. Purchaser will NOT receive any discount off the listed Purchase Price because Purchaser elects not to receive a membership.

Payment of Purchase Price. The "Purchase Price" is calculated and payable as follows:

JKM
(Initial)

Total Purchase Price: \$ 1,105,000.00

JKM
(Initial)

- ☒ Discount Applied to Membership Deposit. If checked and initialed, the Purchaser has checked the first box in A above and wishes to acquire Full Family Membership privileges, paying at the Closing \$35,000.

\$ 35,000.00

- ☒ Golf Membership, Initiation Deposit Add-on. If checked and initialed, the Purchaser has checked the first box in A above and wishes to upgrade to a Golf Membership by paying at the Closing an additional sum of \$40,000.

\$ 40,000.00

JKM
(Initial)

- (iii) SUB-TOTAL, Purchase Price of Lot plus Membership Deposit Due at Closing ?

\$ 1,180,000.00

- (iv) Initial Earnest Money Deposit. An Earnest Money Deposit paid to Escrow Agent herewith

\$ 5,000.00

- (v) Additional Deposit Due. An additional Earnest Money Deposit due Escrow Agent within 0 days of the Effective Date hereof.

\$ 0.00

- (vi) Balance at Closing. The balance required at Closing in cash or certified funds (not including all of Purchaser's closing costs, prepaids, and escrow deposits)

\$ 1,175,000.00

(Initial)

- C. Escrow Agent. The "Escrow Agent" is Olson, Smith, Jordan & Cox, Attorneys at Law, whose address is set forth in Section 9.4 of Part II below; and all deposits to Escrow Agent should be made payable to Olson, Smith, Jordan & Cox Escrow Account.

Part II.
Terms and Conditions

For and in consideration of the Purchase Price set forth in Part I hereof and the mutual promises contained in this Agreement, Purchaser agrees to buy and Seller agrees to sell the Lot, conditioned upon there having not been a sale to a third party prior to the receipt of this Agreement by Seller, properly executed by Purchaser, together with the Earnest Money Deposit as provided in Part I, and execution hereof by Seller.

1. The Purchase Price. Purchaser will pay the Purchase Price of the Lot set forth in Paragraph B of Part I of this Agreement.

1.1 Earnest Money Deposit. The Escrow Agent will receive the Earnest Money Deposit set forth in Paragraph B of Part I, and will deposit said sums in its non-interest bearing escrow account, to be held by the Escrow Agent as the Earnest Money Deposit to be disbursed in accordance with this Part II. In the event of a termination of this Agreement under this Part II, except in the event of Purchaser's default (in which event the Earnest Money Deposit will be paid over to Seller as herein provided), all of the Earnest Money Deposit will be refunded to Purchaser without interest.

1.2 Payments at Closing. The Purchase Price, together with all of Purchaser's Closing costs, prepaids, and Closing escrow deposits, less the sum of Purchaser's Earnest Money Deposit, will be paid by Purchaser in cash or by certified, collected funds at the Closing hereinafter referred to.

2. Financing

2.1 No Financing Contingency. Purchaser acknowledges that this Agreement is not contingent upon Purchaser obtaining financing for the purchase of the Property. Seller makes no representations as to the availability or terms of financing, and the duties of Purchaser and Seller hereunder are not contingent upon Purchaser obtaining financing, or obtaining financing with any specific terms or conditions.

2.2 Purchaser's Responsibility. Purchaser is responsible for obtaining desired financing for the purchase of the Lot. By suggesting a source of financing and/or providing the application for such financing, Seller will not be deemed to have assumed any responsibility for obtaining such financing for Purchaser or to represent or warrant that such financing will be available to Purchaser. Purchaser represents that Purchaser has the financial means to purchase the Lot. Purchaser shall fully cooperate with Seller in procuring any evidence Seller reasonably requests that Purchaser has the financial means to pay the balance of the Purchase Price. Purchaser hereby gives Seller or Seller's designated agent permission to obtain one or more credit reports on Purchaser prior to the Closing Date. If Purchaser elects to obtain financing for the purchase of the Lot, Purchaser shall promptly apply for such financing and promptly deliver a loan commitment from an institutional lender to Seller. If Purchaser is not financing the purchase of the Lot, Purchaser shall promptly deliver account verifications to Seller upon Seller's request. If Seller determines, at any time prior to the Closing Date, in Seller's sole but reasonable discretion, that it is unlikely that Purchaser will be able to pay the balance of the Purchase Price on the Closing Date, Seller may terminate this transaction, and the Earnest Money Deposit shall be returned to Purchaser.

3. Completion of Infrastructure Improvements

3.1 Completion of Infrastructure. Seller agrees to provide roads and water service, and public utilities will provide electrical service and telephone service at no cost to Purchaser, as outlined in our Department of Housing and Urban Development ("HUD") Property Report made effective May 3, 2004, which is incorporated herein and made a part hereof by this reference. In all events, Seller agrees that Seller will complete the water and road infrastructure to Purchaser's Lot within the periods of time set forth in the Property Report, or, (a), in the case of water supply installation, on or before issuance of a certificate of occupancy for Purchaser's residence; and (b), in the case of paved roads to Purchaser's Lot, within sixty (60) days following Purchaser's notice to Seller that Purchaser has received a final certificate of occupancy for Purchaser's residence, whichever respective date occurs first. Seller will, at Seller's sole cost and

expense, provide on-site water for construction of Purchaser's residence if water service is not then available at Purchaser's Lot. Seller's obligation to complete the roads, water service, and electrical and telephone services within the time provided in the HUD Property Report is subject only to circumstances beyond Seller's control, such as acts of God, strikes, material shortages and other occurrences which are sufficient to constitute impossibility of performance under South Carolina law. In the event of such occurrences, Seller will proceed to completion within a reasonable time after the abatement of the event causing delay. In case the survey by which Seller will convey the Lot to Purchaser required bonding pursuant to Oconee County ordinance, Seller has posted a cash or surety bond or an irrevocable letter of credit issued on Seller's behalf to Oconee County, South Carolina, guaranteeing the completion of those roads and other infrastructure requiring bonding. If the approval of the survey by which Seller will convey the Lot to Purchaser did not require bonding by Oconee County ordinance, Seller has established one or more completion escrow accounts to assure completion of the water service and roads to the lots shown on that survey. Seller reserves the right to furnish Purchaser temporary easements for ingress and egress during development, and upon completion of permanent roads or rights-of-way providing ingress and egress, the temporary easements will automatically expire.

(a) **Installation of Infrastructure to Boundary of Lot.** With respect to completion of installation of roads and water service, as well as the installation of electrical and telephone services, Seller covenants these utilities and improvements will be brought to the boundary of Purchaser's Lot, not within the Lot lines to Purchaser's home. Therefore, all costs to connect such utilities or improvements to Purchaser's home will be Purchaser's sole obligation, and the electric utility company charges a set-up fee in conjunction with setting utility meters.

(b) **Septic System.** Purchaser will be responsible for installing and maintaining a septic tank system on the Lot when a dwelling is built on it. Purchaser will be required to make all arrangements for the permitting, governmental approval and installation of a septic tank system. In the event the Lot has not been previously tested and approved by the South Carolina Department of Health and Environmental Control for the installation of an individual sewage disposal system, and if Seller is then not able to resolve the issue within sixty (60) days following notice thereof, Seller will refund to Purchaser the Purchase Price and Purchaser will convey the Lot back to Seller, and thereafter, each of Seller and Purchaser will be fully released from any further liability to the other.

3.2 Completion of Other Infrastructure; Conveyance or Turnover to a Property Owners' Association. In addition to the infrastructure we are obligated to complete, as provided in Section 3.1 above, Seller agrees to complete construction and installation of approximately 25 miles of roads, including an overpass, constructed to governmentally-approved standards; drainage systems; water system storage tanks and water delivery booster stations, as well as pipes leading to Purchaser's Lot; and main electrical power feeds to the project, which will allow those public utilities serving Purchaser's Lot to extend service to the Lot; and manned and unmanned gate houses accessing the project; and approximately 10 miles of hiking and nature trails. The utility facilities will be turned over to the applicable utility company upon completion of construction and issuance of operating permits therefore, if any, and the constructed roads, drainage systems, gates and gatehouses, and hiking and nature trails described in this Section 3.2 will be conveyed or turned over to the Keowee Falls South Owners' Association on or before the expiration of two years from completion of construction, as set forth in the Declaration of Covenants, Conditions and Restrictions for the Cliffs at Keowee Falls South; provided, however, the obligation for maintenance, repair and replacement of the Common Areas will become the responsibility of the Keowee Falls South Owners' Association and its Members the date all required certificates or permits of occupancy or use are issued therefore, or the date such improvements may be used in the manner and for the purposes for which they are constructed, whichever is earlier.

4. Recorded Covenants.

4.1 The Declaration of Covenants & Property Owners' Association. The Lot will be conveyed subject to the Declaration of Covenants, Conditions and Restrictions for the Cliffs at Keowee Falls South recorded in the Office of Register of Deeds for Oconee County, as the same may be amended from time to time (herein, sometimes referred to as the "Declaration"), which includes the obligation that Purchaser pay regular and special assessments when levied for the common facilities and services of the Keowee Falls South Owners' Association (herein, sometimes referred to as the "Association") commencing with the date Seller conveys title to the Lot. Purchaser hereby acknowledges having received a copy of the Declaration, with appended Bylaws of the Association.

4.2 Architectural Review. Purchaser hereby acknowledges that any improvement to the Lot, including landscape improvements, will be subject to the architectural guidelines established, from time to time, pursuant to the

Declaration, and the prior written approval thereof by the architectural review committee established thereunder. Purchaser and Purchaser's builder will be solely responsible for the completion of construction of all improvements on the Lot and for proper drainage during and after house construction, as well as the published fee payable to architectural review committee for review and approval, prior to construction, of all construction and design plans with respect to any improvements to be placed on Purchaser's Lot. Purchaser will be responsible for paying a fee to the Architectural Review Committee for review and approval, prior to construction, of all construction and design plans with respect to any improvements to be placed on the Lot. Either Purchaser or Purchaser's contractor will also be responsible for posting a bond prior to commencing construction.

4.3 **Size of Residence.** Purchaser also acknowledges that the Declaration requires minimum square footages for residences constructed within Keowee Falls South based upon the area in which Purchaser's Lot is located. See Declaration and applicable amendments, if any, with respect to the application of such minimums.

5. **The Golf & Country Club.** Purchaser acknowledges the plan of development for the various Cliffs communities includes the Club's operation of various commercial, private golf and country club facilities. Purchaser further acknowledges that the Club's recreational facilities are operated by The Cliffs Golf & Country Club, Inc., a related third party of Seller, as a commercial business, and not as a non-profit enterprise, that Purchaser will have a license to use the facilities as herein described if Purchaser acquires a membership to do so, and that neither Purchaser nor any property owner association of which Purchaser may be a member has or will receive any ownership interest in the Club's facilities by virtue of Purchaser's acquisition of the Lot or membership in any such property owner association. The Club may, but will not be required to, add additional recreational facilities in the future. The Club operates and offers membership opportunities pursuant to a published Membership Plan, which the Club may supplement, amend, delete and change in its sole discretion at any time. If Purchaser wishes to become a member, Purchaser should take the time to read the Membership Plan prior to acquiring a membership. Purchaser acknowledges receiving a summary of The Cliffs Club membership opportunities. Such information is summary only, and Purchaser should refer to the Membership Plan for the actual terms and condition applicable to membership in the Club.

6. **Closing.** The sale and purchase contemplated by this Agreement will be closed by delivery to Purchaser of a properly executed and acknowledged general warranty deed, in proper, recordable form, in exchange for payment to Seller of the Purchase Price as hereinabove provided. Notwithstanding any provisions herein to the contrary, the legal description for Purchaser's Lot will be in accordance with and based upon the approved, bonded plat for the subdivision of which the Lot is a part (the "Plat").

6.1 **Deed to Lot.** The general warranty deed will convey to Purchaser a good and marketable or insurable (at regular rates), fee simple title to the Lot subject to matters of record, including, but not limited to, taxes and assessments not yet due, all special easements, restrictions and conditions shown and noted on the Plat, licenses and easements for utilities serving the property, the Declaration and the Bylaws of the Association, applicable ordinances and all other easements, rights-of-way, restrictive or utility easements, restrictions, covenants, affirmative obligations and conditions of record in the office of Register of Deeds.

If a title insurance company which is a member of the American Land Title Association will issue a binder to issue an owner's title insurance policy at Purchaser's expense, insuring the title to the Lot at regular rates in an amount equal to the Purchase Price (which owner's title insurance policy will have as exceptions only standard exceptions and those exceptions as are herein agreed and set forth), Seller will be deemed to be able to convey a marketable title in fee simple. If, at the Closing, Seller cannot deliver a general warranty deed to the Lot subject to the exceptions above, Seller will have the right to extend the Closing for an additional thirty (30) days to comply with the terms of the title policy.

6.2 **Closing Date and Time.** Closing will be conducted in the manner provided hereinafter, on the "Closing Date" set forth on Purchaser's signature page below, at the location set forth in Section 6.3 and at a time selected by Seller. Provided that Seller has fulfilled all of its obligations to Purchaser pursuant to this Agreement, Purchaser's failure or refusal to close at the time, place and date provided may, at Seller's option, be deemed a default by Purchaser.

6.3 **Closing Location.** Tender of the deed by Seller and the performance of Seller's requirements will be made at the Closing location designated by Seller on or before 10 days prior to the scheduled Closing. In no event will delivery of the deed exceed one hundred eighty (180) days from the date of Purchaser's execution of this Agreement. The Closing may take place in escrow, with Purchaser participating by making all deliveries required to be made by mail to

the Closing attorney prior to the Closing date, instead of in person; provided that all funds to be received from Purchaser on the Closing date, whether in person or by mail, must be in cash or certified, collected funds.

6.4 **Closing Costs.** Seller will pay for the preparation of the deed and the deed transfer fee required to record the deed, and Seller's attorney's fees. Purchaser shall pay for any and all other Closing costs, including but not limited to, loan service and origination fees, credit report and underwriting fees, appraisal expenses, recording fees, prepaid items, and title insurance premiums, and Purchaser's attorney's fees. A working capital contribution equal to two-months' Association assessments shall be paid to the Association, as provided in the Declaration.

(a) **Prorations at Closing.** Taxes and the Association's assessments will be prorated between Seller and Purchaser as of the date of closing, based upon information then available. Seller and Purchaser agree to adjust any such prorations following the Closing, as may be required by receipt of final bills therefor.

7. **Defaults.**

7.1 **Default by Purchaser.** In the event Purchaser defaults in the performance of any of Purchaser's obligations pursuant to this Agreement and Seller is not in default, Seller will have the right to specifically enforce this Agreement according to its terms and/or to pursue any and all other remedies available to Seller at law or in equity, or Seller will, at Seller's election, be released from any further obligations to Purchaser pursuant to this Agreement and in such event will be entitled to retain the Earnest Money Deposit (but not exceeding 10% of the Purchase Price) as agreed liquidated damages, it being the intention and agreement of Seller and Purchaser that the amount of such Earnest Money Deposit will act as a fair measure of compensation for actual damages incurred by Seller as a result of Purchaser's default. However, notwithstanding the provisions of this Section 7.1, Seller expressly agrees that Seller will give Purchaser written notification of Purchaser's default or breach of contract and the opportunity to correct the default or breach within twenty (20) days following the receipt of Seller's notice.

7.2 **Default by Seller.** If Seller defaults in the performance of any of Seller's obligations as set forth in this Agreement and such default is not cured within twenty (20) days after written notice of default is given to Purchaser by Seller, Purchaser's sole remedy will be to rescind this Agreement and receive the immediate return of Purchaser's Earnest Money Deposit, pay Purchaser's reasonable attorney's fees for any title examination by Purchaser's attorney and for such other reasonable closing expenses which Seller agrees, in its sole discretion, to pay; provided, however, that in the event of a non-material breach of any term or condition of this Agreement, Purchaser's remedies will not include termination of this Agreement.

8. **Real Estate Commission.** It is understood that Seller has by separate agreement appointed Cliffs Real Estate, Inc. as the exclusive real estate agent for sales of Lots within Cliffs at Keowee Falls South. Purchaser warrants and represents that, except as set forth to the contrary on the signature page of Purchaser, Purchaser has not dealt with any other real estate agent who may be entitled to claim a real estate commission in this transaction.

9. **Miscellaneous.**

9.1 **Seller's Reserved Easements; Construction Setbacks.** Purchaser acknowledges that Seller reserves the right to grant and/or reserve, in its reasonable discretion, various easements for ingress and egress, maintenance and use on and over the Lot and the remainder of the Cliffs at Keowee Falls South development. No such easement will materially reduce the value or the usefulness of Purchaser's Lot. Furthermore, Purchaser's Lot is subject to front, rear and side lot line easements shown on the Plat and/or set forth in the Declaration, which also constitute construction setback limits.

9.2 **Seller's Adjacent Development.** Except as otherwise provided herein and notwithstanding any statements contained in this Agreement or otherwise to the contrary, Seller does not warrant in any manner whatsoever the development of any other properties which are owned by Seller in Pickens County or Oconee County, South Carolina, whether or not in the general vicinity of Purchaser's Lot, and Seller reserves the right to develop such properties, if developed, in any manner whatsoever without interference from any subsequent grantee of the Purchaser's Lot, notwithstanding any plans, renderings or drawings which may have been brought to the Purchaser's attention through public zoning hearings, documents filed for zoning purposes, public or private showings or proposed or preliminary development plans or references therein in any recorded covenants. There is no assurance that any facilities or amenities

shown for planning or proposed development purposes will ever be constructed, except only those which Seller herein covenants to complete or which are disclosed to be completed in the HUD Property Report for the Lot.

9.3 **As-Is Condition.** Except as otherwise provided herein, Purchaser is purchasing and Seller is selling the Lot in an "AS IS" condition.

9.4 **Notices.** Any and all notices or other communication provided for in this Agreement will be given in writing and delivered by personal delivery or by registered or certified mail, first class postage prepaid, or by facsimile transmission. Any notice mailed in accordance with this Section 9.4 will be deemed received upon actual receipt thereof or after the expiration of five (5) days, whichever is earlier. Notice sent by facsimile transmission will be deemed received on the date of its transmission, provided transmission occurs prior to 5:00 p.m., Eastern Time, and the sender retains proof of its transmittal and receipt without error. Notice will be addressed as follows:

If to Seller: Keowee Falls Investment Group, LLC
301 Beaver Dam Road
Travelers Rest, SC 29690
Attention: Marty Ritsch
FAX: 864-836-8176

If to the Escrow Agent: Olson, Smith, Jordan & Cox
PO Box 1633
Clemson, South Carolina 29633
Attention: Chris Olson, Esq.
FAX: 864-654-3696

Notices, if to Purchaser: As set forth on Purchaser's signature page of this Agreement

The notice requirements of this Section 9.4 do not apply to the Purchaser's right to cancel this Agreement as provided on page 8 below and in accordance with the Interstate Land Sales Full Disclosure Act.

9.5 **Purchaser's Acknowledgment Concerning Representations.** Purchaser understands that any sales associate or other person representing Seller in this transaction does not have the authority to make any statements in conflict with or in addition to the information contained in this Agreement, and any other documents received from Seller, including without limitation, any representation made regarding the resale of Purchaser's Lot or its rental or investment potential, and that Seller, for itself and in behalf of any such agent, specifically disclaims any responsibility for such statements. Further, if any such statements were made, Purchaser acknowledges that by execution of this Agreement, Purchaser affirms that Purchaser has not relied upon any such statements, if any, and waives any rights that Purchaser might have as a result of such statements unless they are incorporated in this Agreement.

9.6 **Documents Received By Purchaser.** Purchaser further acknowledges having received and reviewed prior to the execution of this Agreement the following:

- (a) Copy of the Declaration, as supplemented and amended to the date hereof, together with appended By-Laws of the Association.
- (b) Copy of Plat.
- (c) Design and Construction Guidelines.
- (d) The checked documents or instruments listed on the Purchaser's signature page below.

9.7 **Time is of the essence.** It is expressly understood and agreed that **TIME IS OF THE ESSENCE** as to all obligations hereunder, including the Purchaser obligation to obtain a mortgage commitment and provide the Lender with all information requested if Purchaser is acquiring financing, even though such financing is not a contingency hereof.

9.8 Entire Agreement. Seller and Purchaser covenant and agree with each other that this written instrument, executed in duplicate originals, expresses the entire agreement between them and there is no other agreement, oral or otherwise, varying or modifying the terms of this Agreement.

9.9 Modification of Agreement. This Agreement may not be otherwise changed or modified, but may be modified by subsequent written instrument executed by both Seller and Purchaser.

9.10 Interpretation Presumption. Seller and Purchaser represent and warrant to one another that each has, by counsel or otherwise, actively participated in the finalization of this Agreement, and in the event of a dispute concerning the interpretation of this Agreement, each hereby waives the doctrine that an ambiguity should be interpreted against the party which has drafted the document.

9.11 Binding Effect; Assignment. This Agreement is binding upon the parties' respective heirs, assigns, personal representatives, successors and assigns; provided however, this Agreement and any of Purchaser's rights hereunder may not be assigned by Purchaser.

9.12 Resale Or Exchange Of Property. Seller has no program or provision for the sale or exchange of any Lots in the Cliffs at Keowee Falls South. There is no program, which assures that Purchaser will be able to exchange the Lot for other property.

9.13 Unenforceable Provisions. Should any provision of this Agreement be void or become unenforceable at law or in equity, the remaining provisions will remain in full force and effect and will not in any manner be thereby affected or impaired.

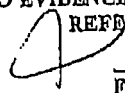
9.14 Survival. This Agreement and all the terms and conditions hereof will survive the Closing of the transaction contemplated hereby and will thereafter continue to bind the parties to this Agreement.

9.15 Counterpart Execution of Agreement. This Agreement may be signed by each of the parties upon a separate copy, and in such case one counterpart of this Agreement will consist of enough of such copies to reflect the signature of each. For purposes of this Agreement, a telecopy of an executed counterpart will constitute an original. Any person delivering an executed counterpart of this Agreement by telecopy will also deliver an original, executed counterpart of this Agreement, but the failure to deliver an original, executed counterpart will not affect the validity of this Agreement. This Agreement may also be executed in two or more counterparts, each of which will be deemed an original; but for purposes of proving the Agreement, it will not be necessary to produce or account for more than one such counterpart.

9.16 Effective Date. This Agreement will become effective, and the term "Effective Date" herein will mean, the last date executed by a party to be bound hereby.

9.17 Receipt of Agency Disclosure. RECEIPT AND EXPLANATION OF THE AGENCY DISCLOSURE FORM IS HEREBY ACKNOWLEDGED BY PURCHASER'S INITIALS BELOW THIS SECTION AND BY PURCHASER'S EXECUTION OF THIS AGREEMENT.

PURCHASER'S INITIALS HERE TO EVIDENCE HAVING RECEIVED THE AGENCY DISCLOSURE FORM REFERENCED ABOVE


CER
For Purchaser

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JUN-21-2005 11:05

TRAUEY GREEN WAHLEN

P. 04/08

9.8 Entire Agreement. Seller and Purchaser covenant and agree with each other that this written instrument, executed in duplicate originals, expresses the entire agreement between them and there is no other agreement, oral or otherwise, varying or modifying the terms of this Agreement.

9.9 Modification of Agreement. This Agreement may not be otherwise changed or modified, absent some subsequent written instrument executed by both Seller and Purchaser.

9.10 Interpretation Presumption. Seller and Purchaser represent and warrant to one another that each has, by counsel or otherwise, actively participated in the finalization of this Agreement, and in the event of a dispute concerning the interpretation of this Agreement, each hereby waives the doctrine that an ambiguity should be interpreted against the party which has drafted the document.

9.11 Binding Effect; Assignment. This Agreement is binding upon the parties' respective heirs, devisees, personal representatives, successors and assigns; provided however, this Agreement and any of Purchaser's rights hereunder may not be assigned by Purchaser.

9.12 Resale Or Exchange Of Property. Seller has no program or provision for the sale or exchange of any Lots in the Cliffs at Keowee Falls South. There is no program, which assures that Purchaser will be able to exchange the Lot for other property.

9.13 Unenforceable Provisions. Should any provision of this Agreement be void or become unenforceable at law or in equity, the remaining provisions will remain in full force and effect and will not in any manner be thereby affected or impaired.

9.14 Survival. This Agreement and all the terms and conditions hereof will survive the Closing of the transaction contemplated hereby and will thereafter continue to bind the parties to this Agreement.

9.15 Counterpart Execution of Agreement. This Agreement may be signed by each of the parties upon a separate copy, and in such case one counterpart of this Agreement will consist of enough of such copies to reflect the signature of each. For purposes of this Agreement, a telecopy of an executed counterpart will constitute an original. Any person delivering an executed counterpart of this Agreement by telecopy will also deliver an original, executed counterpart of this Agreement, but the failure to deliver an original, executed counterpart will not affect the validity of this Agreement. This Agreement may also be executed in two or more counterparts, each of which will be deemed an original; but for purposes of proving the Agreement, it will not be necessary to produce or account for more than one such counterpart.

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PURCHASER'S INITIALS HERE TO EVIDENCE HAVING RECEIVED THE AGENCY DISCLOSURE FORM REFERENCED ABOVE

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JUN-21-2005 11:06

TAVEY GREEN WAHLEN

P. 05/08

Additional Documents Received By Purchaser. Pursuant to Section 9.6, the Purchaser acknowledges having received and reviewed prior to the execution of this Agreement the following (if none, leave blank):

☒ HUD
☒ CCR
☒ PLATT
☐

PURCHASER'S INITIAL HERE TO EVIDENCE HAVING RECEIVED THE DOCUMENTS LISTED ABOVE

[Signature]
 For Purchaser

YOU HAVE THE OPTION TO CANCEL YOUR CONTRACT OR AGREEMENT OF SALE BY NOTICE TO THE SELLER UNTIL MIDNIGHT OF THE SEVENTH DAY AFTER YOU HAVE RECEIVED A FULLY SIGNED COPY OF THE CONTRACT OR AGREEMENT.

IF YOU DID NOT RECEIVE A PROPERTY REPORT PREPARED PURSUANT TO THE RULES AND REGULATIONS OF THE OFFICE OF INTERSTATE LAND SALES REGISTRATION, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, IN ADVANCE OF YOUR SIGNING THE CONTRACT OR AGREEMENT, THE CONTRACT OR AGREEMENT OF SALE MAY BE CANCELLED AT YOUR OPTION FOR TWO YEARS FROM THE DATE OF SIGNING.

IN WITNESS WHEREOF, Purchaser and the Seller have each caused this instrument to be executed on the day and year set forth below their respective names.

WITNESS:

Purchaser:

[Signature]
 (Signature)

(Signature)

PURCHASER'S DATE:

6 20 2005
 Month Day Year

The "Closing Date" is: July 20, 2005

YOU HAVE BEEN ADVISED BY THE SELLER THAT THE PROPERTY IS SUBJECT TO A DEED OF TRUST AND MORTGAGE IN FAVOR OF KENNETH R. MCCARTHY.

Name: Courtney Rountree
 Address: 604 A Tim Valley Road
 DEPARTMENT OF
 THE CONTRACT
 CANCELS AT

Telephone (Work):

Telephone (Home):

FAX Number:

E-mail Address:

Name in which to Title Property: Kenneth R. McCarthy & Courtney E. Rountree
 and year set forth below this: (Insert the name or names to which Purchaser wishes title to the Lot to be deeded)

WITNESS: Name of Real Estate Agent(s): Jay Scott

(Insert the name or names of both the Cliffs Real Estate agent representing Seller and any outside agent representing Purchaser)

(BALANCE OF PAGE PURPOSELY BLANK)

The "Closing Date" is: July 20, 2005

Page 8

v. 04/14/2005

Witness:

Address: 604 A Tim Valley Road

DATE OF SIGNING
MAY BE

Additional Documents Received By Purchaser. Pursuant to Section 9.6, the Purchaser acknowledges having received and reviewed prior to the execution of this Agreement the following (if none, leave blank):

☒ HUD
☒ CCR
☒ PLATT
☐

PURCHASER'S INITIAL HERE TO EVIDENCE HAVING RECEIVED THE DOCUMENTS LISTED ABOVE

[Signature]
For Purchaser

YOU HAVE THE OPTION TO CANCEL YOUR CONTRACT OR AGREEMENT OF SALE BY NOTICE TO THE SELLER UNTIL MIDNIGHT OF THE SEVENTH DAY AFTER YOU HAVE RECEIVED A FULLY SIGNED COPY OF THE CONTRACT OR AGREEMENT.

IF YOU DID NOT RECEIVE A PROPERTY REPORT PREPARED PURSUANT TO THE RULES AND REGULATIONS OF THE OFFICE OF INTERSTATE LAND SALES REGISTRATION, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, IN ADVANCE OF YOUR SIGNING THE CONTRACT OR AGREEMENT, THE CONTRACT OR AGREEMENT OF SALE MAY BE CANCELLED AT YOUR OPTION FOR TWO YEARS FROM THE DATE OF SIGNING.

IN WITNESS WHEREOF, Purchaser and the Seller have each caused this instrument to be executed on the day and year set forth below their respective names.

WITNESS:

Purchaser:

[Signature]
(Signature)

Month

Day

Year

v. 04/14/2005

The "Closing Date" is: July 20, 2005

Print or Type:

Name: Kevin McCarthy

Name: Courtney Rountree

Address: 604 A Tim Valley Road

Courtney Rountree into:

Telephone (Work): (704) 715-1134

Telephone (Home): (704) 819-8749

FAX Number: (704) 3831-6538

E-mail Address: ~~roundtree@bellsouth.net~~

Name in Which to Title Property: Courtney E. Rountree
(Insert the name or names to which Purchaser wishes title to the Lot to be deeded)

Name of Real Estate Agent(s): Jay Scott
(Insert the name or names of both the CLIR's Real Estate agent representing Seller and any outside agent representing Purchaser)

(BALANCE OF PAGE PURPOSELY BLANK)

Jul 06 05 03:24p

P.2

Seller:

Kconvee Falls Investment Group, LLC

By

Its:

07

06

05

Month

Day

Year

Property: Section: Jasmine Cove, Lot 32

Lot Purchase

Price: \$ 1,105,000.00

Membership: \$ 75,000.00

Total: \$ 1,180,000.00

(BALANCE OF PAGE PURPOSELY BLANK)



July 18, 2005

Mr. Donald H. Nickell, Jr., P.E.
The Cliffs Communities, Inc.
301 Beaver Dam Road
Travelers Rest, South Carolina 29690

Reference: **SUBSURFACE EXPLORATION FINDINGS**
Cliffs Keowee Falls South - Lot #31 Jasmine Cove
Oconee County, South Carolina
S&ME Project No. 1261-05-423A

Dear Don:

S&ME, Inc. is pleased to submit this Subsurface Exploration Findings letter for Lot #31 (Jasmine Cove) at the Cliffs Keowee Falls South development. Our work for the property included an exploration of subsurface conditions, analysis, opinions regarding the cause of unusual features on the property and our geotechnical engineering recommendations regarding supporting residential structures. This letter presents a brief confirmation of our understanding of the project, the exploration results, and our geotechnical conclusions and recommendations regarding the above considerations.

Lot #31 fronts Lake Keowee along its western shoreline. The lot slopes upward away from the lake at a visually estimated inclination on the order of about 4 horizontal to 1 vertical. There are approximately three "scarp" areas across the site, each approximately paralleling the water surface and the contour of the lots. These surface features are very unique.

The lot was explored with two soil testing borings (L-1 and L-2) performed below the main "scarp" area and one boring (L-3) above the main "scarp" area. Additionally, three trackhoe excavated test pits were performed at similar locations as the borings. At each test pit and boring location, soils that appear to be residual in nature and common to the Piedmont Geologic Province were encountered to termination or refusal depths of 20 to

S&ME, Inc.
155 Tradd Street
Spartanburg, South Carolina 29301

(864) 574-2360
(864) 576-8730 fax
(864) 232-8987 Greenville

www.smeinc.com

DATE _____
COMPILED/TYPED BY _____
MAILED BY _____
HAND DELIVERED BY _____
AUTHOR/SENIOR AUTHOR _____
(INITIALS)

FILE COPY

THIS DOCUMENT CANNOT BE REPRODUCED

**PLAINTIFF'S
EXHIBIT**

1-C

Subsurface Exploration Findings—Cliffs Keowee Falls South
Lot #31 Jasmine Cove, Oconee County, SC

S&ME Project No. 1261-05-423A
July 2005

30 feet below the ground surface. The residual soils generally consist of silty sand or sandy silt; however, an upper layer of sandy clay was present in boring L-1. The Standard Penetration Resistance (N) values in the residual soils varied from 2 to 31 blows per foot with the majority of the values in the 2 to 5 blows per foot range. These values indicate a very soft to soft consistency for silts and clays, and a very loose to loose relative density for sands.

The boring data indicates that the lot contains some unique surface and subsurface anomalies. Although the boring data indicates very low consistency soils extend well below the ground surface, it did not indicate that the exposed "scarp" areas are the result of lateral movements or surface sloughing. The surface features could be terraced alluvium deposited during past geologic events or possibly old road cuts created during construction of Lake Keowee.

Based on the subsurface data and our experience, it is our opinion that residential structures can be supported on-site with some modification to improve the foundation soils. Several options are available for soil improvement, but we would recommend undercut and replacement or rammed aggregate piers as the most practical. The undercut area would include the building limits and an area extending at least 15 feet outside the building limits, and would extend 5 to 7 feet.

Rammed Aggregate Piers are a patented system consisting of drilling vertical holes (typically 30-inches in diameter) and filling them in layers with compacted crushed stone to the foundation bearing level. Rammed Aggregate Piers are stiffer than the surrounding soil and support a disproportionate share of the foundation load while reducing foundation settlement. After Rammed Aggregate Pier construction, foundations and/or floor slabs may be constructed conventionally.

For planning purposes, the cost of undercutting soils, replacing them with off-site borrow soils, and wasting the undercut soils off site is typically about \$12 to \$15 per cubic yard. However, a majority of the undercut soils would most likely be suitable for reuse as structural fill. As for the Rammed Aggregate Piers, we estimate that approximately 50 to


Subsurface Exploration Findings- Cliffs Keowee Falls South
Lot #31 Jasmine Cove, Oconee County, SC

S&ME Project No. 1261-05-423A
July 2005

75 piers would be required to support the structure and floor slab. The piers could be installed in 4 to 5 days (including a modulus load test) with an anticipated cost on the order of \$550 to \$600 per pier. However, this cost will vary depending on project specific variables. We can provide additional design and cost information as the project is further advanced.

We appreciate the opportunity to work with The Cliffs Communities, Inc. by providing the geotechnical engineering for this project. Should any questions arise regarding the information in this report or when we may be of further service, please contact us.

Sincerely,
S&ME, Inc.


Michael Revis, P.E.
Project Engineer
mrevis@smelnc.com


Howard Perry, P.E.
Senior Engineer
hperry@smelnc.com



WHITAKER LABORATORY, INC.

P.O. Box 7078 2500 Tremont Road Savannah, Georgia 31418
(912) 234-0696 Fax (912) 233-5061

June 21, 2011

Mr. T.S. Stern Jr., Esquire
COVINGTON, PATRICK, HAGINS, STERN & LEWIS, PA
P.O. Box 2343
Greenville, SC 29601

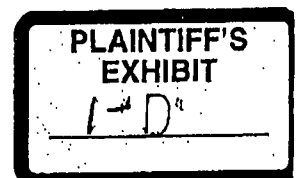
RE: Residence of Mr. & Mrs. Jack R. Harrell
Lot 31 Jasmine Cove
The Cliffs at Lake Keowee Falls South
Salem, SC

Dear Mr. Stern:

You have requested that I review preconstruction and sales documents provided by you, as well as the geotechnical site investigations and post construction monitoring data on this lot. I have read and considered all of the documents you provided to me, and I have placed particular interest in these documents listed below:

S&ME, Inc. SUBSURFACE EXPLORATION FINDINGS - July 18, 2005
S&ME, Inc. Site Observations - June 3, 2008
S&ME, Inc. Subsurface Exploration Harrell Residence - May 15, 2009
S&ME, Inc. SUBSURFACE EVALUATION - Feb 10, 2010
S&ME, Inc. SUBSURFACE EXPLORATION Jasmine Pt Cul-de-Sac - Mar. 5, 2010
BLE, Inc. Data Report of Slope Inclinator Surveys - October 25, 2010
BLE, Inc. Report of Site Observations 235 Jasmine Point - March 1, 2010
BLE, Inc. Data Report of Slope Inclinator Surveys - April 11, 2011
Resort Custom Homes, Topo and Tree Survey for Lot 31 CKFS-JC-031 - Aug 25, 2008

In addition to reviewing the documents, I have met with Mr. William Matthews, PE of BLE, Inc. on June 2, 2011, and on June 3, 2011, visited the project site, and the adjacent lots 30 & 32, accompanied by you and Mr. Matthew Vogt, the home builder.



The S&ME report for lot 31 dated July 18, 2005 for The Cliffs Communities, SUBSURFACE EXPLORATION FINDINGS, Lot 31 Jasmine Cove provides ---*"our understanding of the project, the exploration results, and our geotechnical conclusions and recommendations regarding the above considerations."*

Of significant interest to me, are statements regarding their observations of *"- - scarp areas across the site, each approximately paralleling the water surface and the contour of the lots. These surface features are very unique."* Please note that the copy of the report furnished to me did not include the logs of the reported borings numbers L1, L2, & L3, and therefore I have not reviewed these data.

Further this July 18 report states, *"Although the boring data indicates very low consistency soils extend well below the ground surface, it did not indicate that the expose "scarp" areas are the result of lateral movement or surface sloughing. The surface features could be terraced alluvium deposited during past geologic events or possible old road cuts created during the construction of Lake Keowee."*

Still further the report states, *"Based on the subsurface data and our experience, it is our opinion that residential structures can be supported on-site with some modification to improve the foundation soils. Several options are available for soil improvement, but we would recommend undercut and replacement or rammed aggregate piers as the most practical."*

Based on a subsequent S&ME, Inc. report on this lot #31, dated June 3, 2008, I understand that a building pad area was undercut and refilled with compacted soils in order to prepare the site for the construction of a home. I further understand a house was never built at this prepared location.

In September of 2008, Mr. and Mrs. Jack Harrell purchased the lot from Keowee Falls Investment Group, LLC and subsequently entered into a contract with Resort Custom Homes (Mr. Matthew W. Vogt, Principal) for the construction of a home on the lot. Mr. Vogt then commissioned S&ME Inc to conduct an additional geotechnical exploration of the site to include specifically a different area being considered for the house location.

For this additional exploration (S&ME report dated May 15, 2009) four more test borings were drilled. The CONCLUSIONS AND RECOMMENDATIONS (page 4) of this additional exploration report state *"Foundations for the residential structure can be designed as spread footings bearing in the residual soils and new, well compacted fill."* And in the Foundation Design – Bearing Pressure and Settlement (page 6) section of the report, is stated *"Foundations for the residence can be designed as spread footings bearing in new, well compacted fill and residual soils. A net maximum allowable bearing pressure of 2000 psf should not be exceeded. We advise a bearing pressure of 1500 psf not be exceeded for the fire place and chimney."*

The S&ME, Inc. report dated March 5, 2010, SUBSURFACE EXPLORATION Jasmine Point Cul-De-Sac is presented as the *"results of a subsurface exploration for the Jasmine Point cul-de-sac and its embankment."* and *"The report presents information regarding our understanding of a water line separation and the stability of an embankment for the cul-de-sac."*

The report says *"the water line crossing the road separated at a joint, -- -- the pavement dropped down about 4 inches -- -- This crack is primarily vertical."* The photographs included with the copy of the report appear to me to be visual indicators of a scarp resulting from a slope shear failure. The photographs show that the failure surface runs across the cul-de-sac and into the adjacent driveway. The report S&ME states (page 3) *"From our visual observations, we did not observe indications that the cul-de-sac embankment has moved laterally."* Note that this statement refers to the cul-de-sac embankment. This report further states on page 3 *"Based on the information above, it is our opinion the most likely time of events is that the water line separated first, rather than the slope moving and causing the water line to separate."* It is unfortunate that the instability of the hillside site was again not identified. It is my opinion that the existing slope instability along lots 30, 31, & 32 was the cause of the embankment movement and thus the cause of the water line separation. Evidences of continued movement of the hillside slope are seen in the semi-circular cracks in the new asphalt concrete driveway for lot 31. (SEE Photos 1- a & 1- b; page 5)

Conversations with the home builder, Mr. Matt Vogt indicate his recollections of this event resulted in a vertical distance at the failure crack across the cul-de-sac of "about a foot".

On February 26, 2010, Mr. Bill Matthews, PE of BLE, Inc. met with a landscape contractor working on adjacent lot to observe distress in the driveway of lot 29. A report entitled Report of Site Observations BLE Project No J10-6933-01 dated March 1, 2010 was prepared after this visit. The report states in part *"The differential settlement was relatively abrupt and was estimated to be up to approximately two feet (vertically) on lot 32. Based on our limited observations, it is our opinion that the differential movement is associated with an active slope failure. The semi-circular shape and abrupt movement is a classic indication of a failure scarp that develops at the upper limits of a slope failure. The observed scarp appears to encompass all or parts of Lots 29, 30, 31, and 32."*

In the winter of 2010, after construction on the Harrell's home was underway, S&ME, Inc prepared a third report on Lot 31, SUBSURFACE EVALUATION HARRELL RESIDENCE dated February 12, 2010. This report was prepared for Resort Custom Homes to investigate the causes of movement of the foundation floor slab. The **CONCLUSIONS AND RECOMMENDATIONS** sections of this report state, *"From our understanding of construction, the sequence of events, and the subsurface data, it is difficult to discern the actual cause of the slab movement."* and further on page 4, *"Because we are not certain of the mechanism's causing slab movement, we suggest that movement of the slabs and other parts of the structure be monitored for as long as practical."*

Also as a result of this slab movement, Mr. Vogt (the home builder) contacted GEBAU, Inc, Consulting Structural Engineers in Boulder Colorado for assistance in foundation remediation and improvements. GEBAU produced a design drawing dated 2/18/2010 for the redesign of portions of the house foundation to include the addition of helical piers. Subsequent to this design, a number of helical piers were installed in the foundation. The drawing produced by GEBAU for the project did not have a Professional Engineers seal nor a SC Certificate of Authorization seal affixed. I do not know the depth of these piers, but it is my opinion that they will be ineffective in long term stabilization of movement of the structure or the slope. Significant continuing movement of the ground beneath the patio slab is now evident, as is some lateral movement of the southeastern-most porch column. (SEE Photos 2-c & 2-d; page 6)

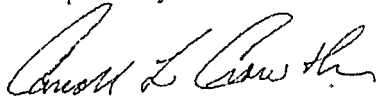
In early summer 2010, The Cliffs Communities engaged BLE, Inc to begin Inclinometer surveys of the area (including Lots 30, 31, and 32). Two reports, dated October 25 2010, and April 11, 2011, report the observations and inclinometer data concerning continuing movement of the property. The opinion of BLE, Inc. as stated in the October 25, 2010 report is, *"Based on our site observations and the inclinometer data obtained to date, it is our opinion that there is an active, deep-seated slope failure occurring at the site."* And in the BLE, Inc. report dated April 11, 2011 the opinion is stated *"As previously reported, it is our opinion that there is an active, deep seated slope failure occurring at the site."* From conversations with Mr. William Matthews, PE I understand the term "the site" in his report includes Lot #31 (Harrell's) and adjacent properties.

On June 3, 2011, I made a visual inspection of this Lake Keowee property, including the adjacent lots 30 & 32. Based on my engineering experience, my site visit, my meeting with BLE, Inc and my review of the geotechnical investigations conducted for this site, it is my opinion that the Harrell's property, and immediately adjacent properties are experiencing an on-going shear failure of the hillside. This shear failure, and slope instability extends up into the cul-de-sac area of Jasmine Cove.

It is further my opinion that this state of failure existed in advance of the first investigation by S&ME, Inc. Visual observations of scars from this state of failure are acknowledged in the July 2005 S&ME Inc report; however the significance of these observations is not acknowledged. Today, the shear failure scars (scarps) remain visible on this and adjacent properties. (SEE Photos 3-c and 3-a; page 7). Also visible today are the leaning trees across portions of the site that are standing records of earlier slope movement. (SEE Photos 4-a thru 4-h; pages 8 & 9)

I do not believe that this slope instability has been caused by any man made improvements or activities on the properties. At this time, I cannot recommend a permanent remedial solution for stabilizing this hillside that I believe would be feasible. There could be some short term mitigation by minimizing the landscape irrigation on the developed areas. With the benefit of a detailed topographic survey, that extends well down across the lake bottom, preliminary stability analyses could be conducted that would give an indication of the practicality of attempting to stabilize the mass. I believe, that without effective, permanent slope stabilization, erratic down slope movement will continue, and at some point in time, extensive damage to the structure and hillside is to be expected.

Respectfully submitted;



Carroll L. Crowther, PE
SC Registered Engineer # 10666





Photo 1 - a
June 3, 2011



Photo 1- b
June 3, 2011

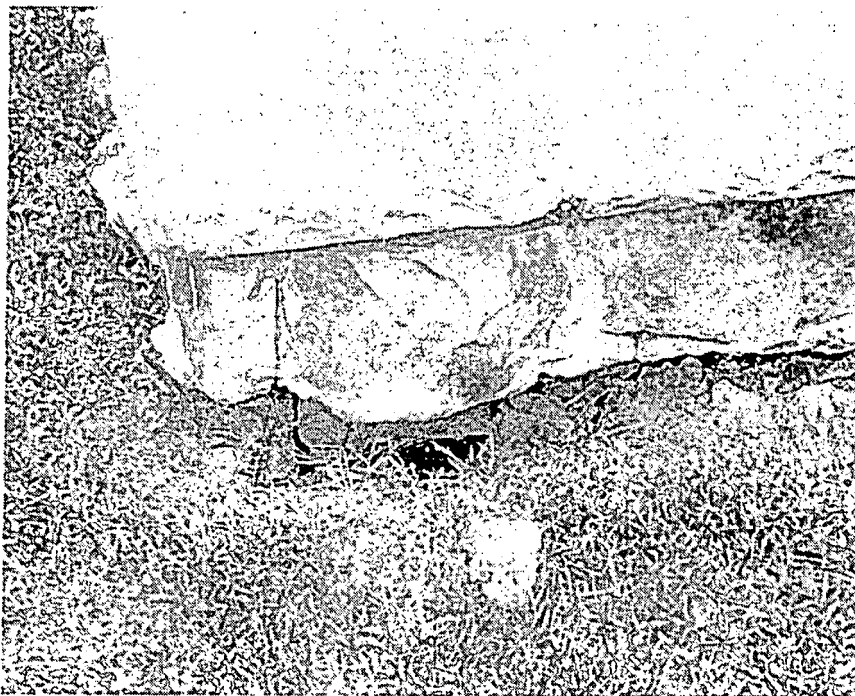


Photo 2- c
June 3, 2011



Photo 2- d
June 3, 2011



Photo 3 – c
June 3, 2011



Photo 3 – a
June 3, 2011



Photo 4 - a
June 3, 2011

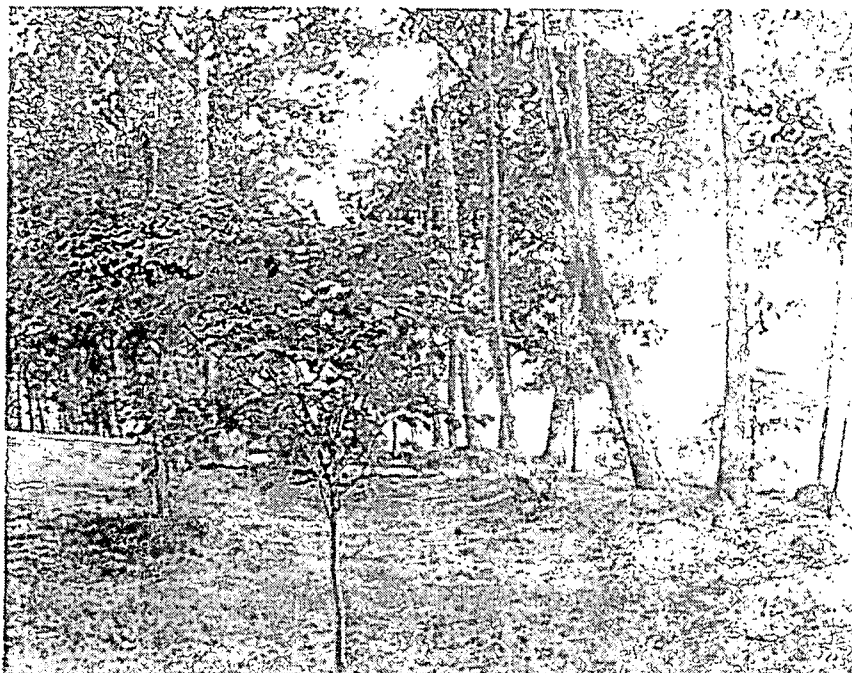


Photo 4 - b
June 3, 2011



Photo 4 - f
June 3, 2011



Photo 4 - h
June 3, 2011



WHITAKER LABORATORY, INC.

P.O. Box 7078 2500 Tremont Road Savannah, Georgia 31418

(912) 234-0696 Fax (912) 233-5061

ecrowther@islc.net

August 8, 2011

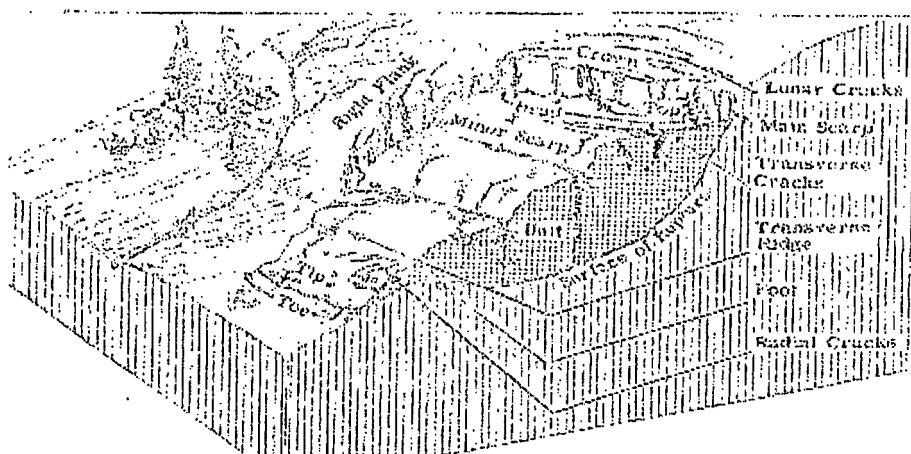
Mr. Thomas E. Dudley III, Esquire
Kenison, Dudley, & Crawford, LLC
704 E. McBee Ave
Greenville, SC 29601

Re: Lot 32 Jasmine Cove, The Cliffs at Lake Keowee Falls South

Dear Tom:

On behalf of your client Mr. Kevin McCarthy, you have requested my opinions of the geologic and engineering stability of Lot 32, Jasmine Cove. Complying with your request, on August 1, 2011, I visited this site with you. Subsequently we met at the site with Mr. McCarthy and Mr. Channon Chambers, Building Codes Division Manager for Oconee County SC.

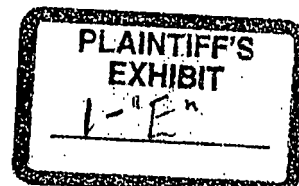
First I refer you to the attached sketch entitled, "Figure 2 - Slide Nomenclature". This sketch shows the components of an unstable hillside undergoing a shear failure, or "landslide". (From US Department of Commerce LANDSLIDE INVESTIGATIONS ; US Govt Printing Office July 1961)



Length -- Horizontal distance, crown to toe.
Width -- Horizontal distance, bank to bank.
Height -- Vertical distance, toe to crown.

Depth -- Thickness of slide mass, between foot and crown. (Foot is line of intersection between the lower part of the surface of rupture and the original ground surface.)

Figure 2 - Slide nomenclature.



The topography of this waterfront lot (#32) includes at least 3 readily discernable plateaus, (5 or more if you consider the upper level at the cul-de-sac and the lower levels at the lake front). These plateaus are the top surfaces of unit blocks of the original hillside that have sheared off, moving outward and downward toward the lake. The steep banks landward of the plateaus are the shear surface scars (scarps) of the past failures. See attached photos # 768, 769, 772.



Photo #768

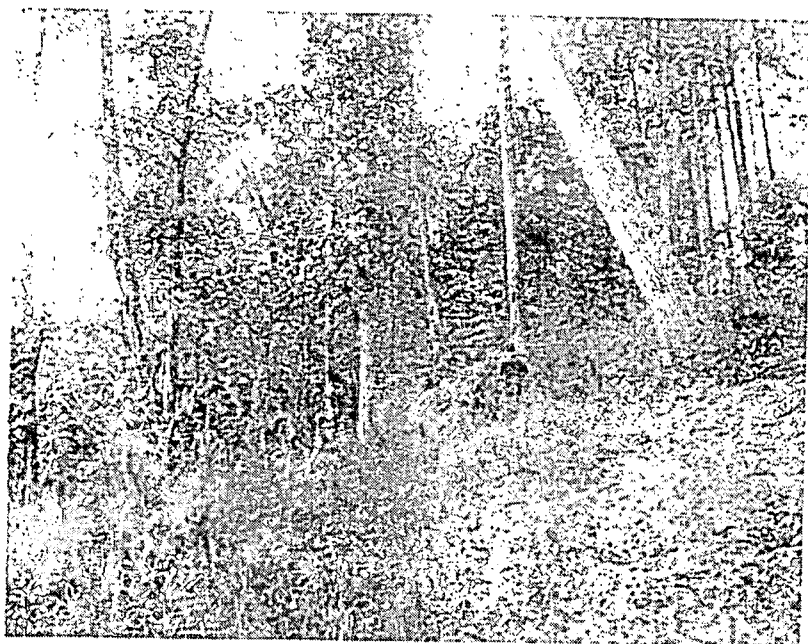


Photo #769



Photo #772

Also observed were numerous cracks in the ground surface, roughly paralleling the scarps. The leaf and other surface debris tends to cover these cracks, but minimal clearing of the surface makes the cracks readily visible. See attached photos # 768, 771, 774. These cracks are evidence of the continuing movement and shearing failures of this hillside. This area encompasses at least portions of lots 32, 31, and 30.



Photo # 771

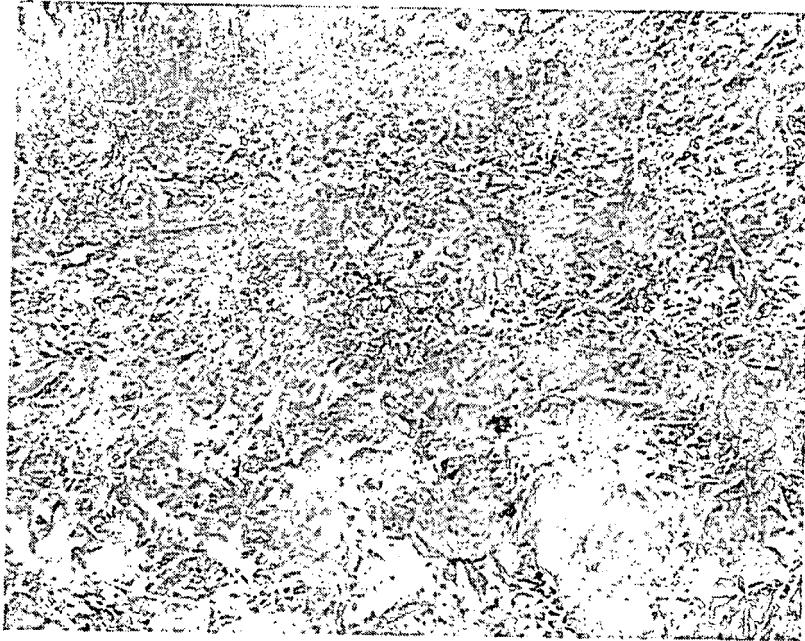


Photo # 774

I also observed the 2 inclinometer casings installed on this lot by BLE, Inc at the request of the developer of the project. The data obtained by BLE, Inc from the inclinometers shows the ground to continue to move down slope. (See three BLE, Inc. reports attached dated March 1, 2010, October 25, 2010, & April 11, 2011)

It is my opinion that this hillside area is very unstable, and is undergoing an active shear failure or "landslide", and will continue to do so. The bent and leaning standing timber indicates this instability has existed, and has been ongoing for years. (See examples in Photos # 768, 769, 772) .

Stabilization of this lot sufficient for construction of a house would be very expensive, if even possible. I would recommend that your client not consider building on this lot, due to the unstable soils. It is further my opinion that the unstable soils associated with this active shear failure make the site unsuitable for a septic system. Witness the recent rupture/failure of the Town of Salem water line in the Jasmine Point cul-de-sac in December 2009. Mr. McCarthy told us yesterday that he saw a vertical drop of 10 or more inches of the cul-de-sac pavement at the time of this water line failure. Note the BLE, Inc. site observations on February 26, 2010 (Report dated March 1, 2011) reports a estimated vertical drop of 2 feet. A failed septic system, due to earth movement could be very unpleasant and unhealthy for this lakeside community.

BLE^{INC.}
BUNNELL-LAMMONS ENGINEERING, INC.
GEOTECHNICAL, ENVIRONMENTAL AND CONSTRUCTION MATERIALS CONSULTANTS

March 1, 2010

Mr. Lance Yuda
Zone 7 Nursery
lance@zone7nursery.com

Subject: Report of Site Observations
235 Jasmine Point
The Cliffs @ Keowee Falls South
Oconee County, South Carolina
BLE Project No. J10-6933-01

Gentlemen:

As requested, our Mr. Bill Mathews met with Mr. Yuda at the above referenced site to observe distress to the driveway and offer an opinion as to the likely cause based on limited site observations. The driveway is constructed from masonry pavers and has exhibited differential settlement along a section of the driveway. We understand that repairs were made to the driveway but the differential settlement returned a short time later. Mr. Yuda indicated that a water main in the road had recently failed and was repaired.

At the time of our site visit on February 26, 2010, we observed the distress in the driveway of 235 Jasmine Point (Lot 29). However, it appears that the problem is much more widespread. The distress observed in the driveway was part of a line of differential movement that extended in a semi-circular manner across the cul-de-sac and into Lot 32 on the other side of the street. The differential settlement was relatively abrupt and was estimated to be up to approximately two feet (vertically) on Lot 32. Based on our limited site observations, it is our opinion that the differential movement is associated with an active slope failure. The semi-circular shape and abrupt movement is a classic indication of a failure scarp that develops at the upper limits of a slope failure. The observed scarp appears to encompass all or parts of Lots 29, 30, 31 and 32. Please refer to the attached aerial photograph which identifies the approximate location of the observed scarp.

It is our opinion that repairs to the driveway of Lot 29 would be a temporary measure and that damage would soon return unless measures are undertaken to stabilize the apparent slope failure. A detailed geotechnical exploration, laboratory testing and engineering analysis would be required to determine the extent and depth of the soil involved in the failure and to develop a stabilization plan. At the time of our site visit, we observed what appeared to be evidence of recent soil test borings that may have been

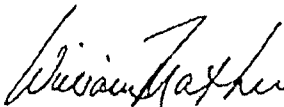
BLE_{inc}

performed in the cul-de-sac near the failure scarp. It is possible that the developer may have already retained an engineering firm to evaluate the movement.

We suggest that you contact the developer to determine whether there is an existing engineering evaluation being performed. If requested, BLE could prepare a proposal to evaluate the apparent slope failure. However, since access to all of the affected lots would be required, such a proposal would likely have to be requested by and coordinated through the developer. We appreciate the opportunity to provide our professional services on this project. If you have any questions or require additional assistance, please call.

Sincerely;

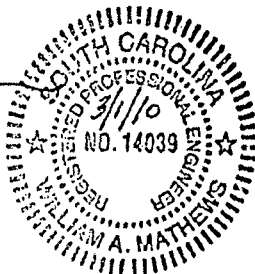
BUNNELL-LAMMONS ENGINEERING, INC.

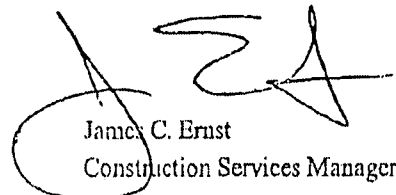


William A. Mathews, P.E.

Chief Engineer

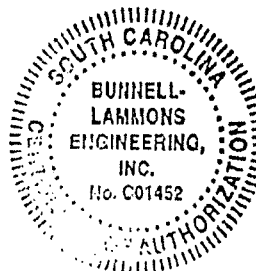
Registered, SC #14039




James C. Ernst
Construction Services Manager

Attachment

c:\public pc033\projects\235 jasmine point the cliffs at keowee falls south.doc



IBLE
INC.
BUNNELL-LAMMONS ENGINEERING, INC.
GEOTECHNICAL, ENVIRONMENTAL AND CONSTRUCTION MATERIALS CONSULTANTS

October 25, 2010

The Cliffs Communities
Post Office Box 1519
Travelers Rest, South Carolina 29690

Attention: Mr. Donald H. Nickell, Jr.
dnickell@cliffscommunities.com

Subject: Data Report of Slope Inclinometer Surveys
October 1, 2010 Readings
Jasmine Point - Cliffs at Keowee Falls South
Oconee County, South Carolina
BLE Project No. J10-7112-01

Gentlemen:

We are pleased to submit this data report of the surveys obtained from the slope inclinometers installed at Jasmine Point in the Cliffs at Keowee Falls South development. The data presented herein includes the latest round of readings obtained on October 1, 2010. The data included in this report is referenced to baseline data obtained on June 25, 2010. There are six inclinometers installed on Lots 30, 31 and 32 as indicated in the following table.

Inclinometer Number	Location
SI-1	Lot 30 upper
SI-2	Lot 30 lower
SI-3	Lot 31 upper
SI-4	31 Lot 32 lower
SI-5	Lot 32 upper
SI-6	Lot 32 lower

Note: Locations identified as upper represent inclinometers installed on the upper side of the lots near the road, lower represents inclinometers installed on the lower side of the lots near the lake.

The inclinometers were installed into soil test borings (ASTM D 1586) that were drilled between May 27, 2010 and June 8, 2010. Subsurface conditions that were encountered at each boring location are identified on the attached boring logs. The borings are identified as B-1 through B-6 and the boring numbers correspond with the inclinometer numbers (i.e. inclinometer SI-1 was

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*Data Report of Slope Inclinometer Surveys
Jasmine Point – Cliffs at Keowee Falls South*

*October 25, 2010
BLE Project No. J10-7112-01*

installed in boring B-1 and so on). The attached aerial photograph identifies the locations of the inclinometers that was produced by tagging the inclinometer locations with a handheld GPS and inputting the coordinates into Google Earth.

The attached graphs present information on each of the inclinometers. Where the attached graphs identify two axes (A-axis and B-axis), the A-axis is oriented in a generally uphill-downhill direction and the B-axis is oriented in a generally cross slope direction. Movement in the negative direction on the A-axis represents downslope (direction of potential failure) movement. There are three graphs for each inclinometer as follows:

1. Cumulative Displacement vs. Depth
2. Incremental Displacement vs. Depth
3. Cumulative Displacement vs. Time (A-axis)

Cumulative displacement vs. depth is a plot of movement. Displacements on these plots may appear abrupt because the horizontal scale is not proportional to the vertical scale, which makes it easier to identify displacements. Incremental displacement vs. depth is a plot of movement at each reading interval. A spike in these graphs indicates significant movement. Growth in the spike over time indicates continued movement. Cumulative displacement vs. time provides an indication as to the rate of movement.

EVALUATION

A review of the Cumulative Displacement vs. Depth plots indicate that movement is occurring in five of the six inclinometers. Inclinometers SI-1, SI-2, SI-4 and SI-6 indicate an apparent failure plane developing at depths ranging from approximately 35-ft to 53-ft below the ground surface. A review of the accompanying boring logs indicates that the failure plane appears to be developing at or near the interface between residual soils and partially weathered rock (or dense residual soils). Inclinometers SI-4 and SI-6 are the only two inclinometers that have indicated significant movement since the August 30, 2010 readings were collected. However, it should be noted there has been little precipitation during this period and it should be expected that additional movement may occur in the remaining inclinometers during wet weather cycles.

The plots from inclinometer SI-5 indicate that the movement appears to be occurring at or below the bottom of the inclinometer casing at this location. A review of boring B-5 indicates partially weathered rock was encountered at a depth of approximately 64 feet. Therefore, it is our opinion that there may be a failure plane developing near the interface with the partially weathered rock similar to that observed in the inclinometers discussed above. Inclinometer SI-3 has not indicated movement based on the inclinometer readings taken thus far.



*Data Report of Slope Inclinometer Surveys
Jasmine Point - Cliffs at Keowee Falls South*

*October 25, 2010
BLE Project No. J10-7112-01*

RECOMMENDATIONS

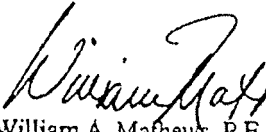
Based on our site observations and the inclinometer data obtained to date, it is our opinion that there is an active, deep-seated slope failure occurring at the site. The rate at which movement occurs can be expected to vary over time and with environmental factors. However, it should be expected that movement will continue unless provisions to stabilize the slope are performed. Additional exploration, testing and analysis will be required to evaluate suitable methods for stabilizing the slope, which are beyond the scope of services for which we are currently authorized. If requested, we can prepare a proposal to provide additional engineering services required to develop conceptual stabilization methods.

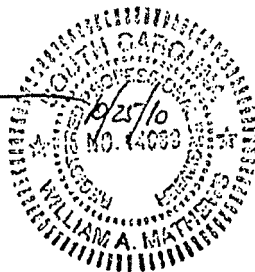
As of this data submittal, we have completed the scope of services authorized for this project. We recommend that you retain a surveyor to develop a detailed topographic survey of the area. The topographic survey would be used in conjunction with the borings and inclinometer data to evaluate methods that could be used to stabilize the slope.

We appreciate the opportunity to provide our professional services on this project. If you have any questions or require additional information, please call.

Sincerely;

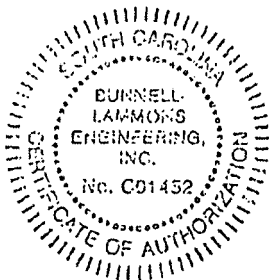
BUNNELL-LAMMONS ENGINEERING, INC.

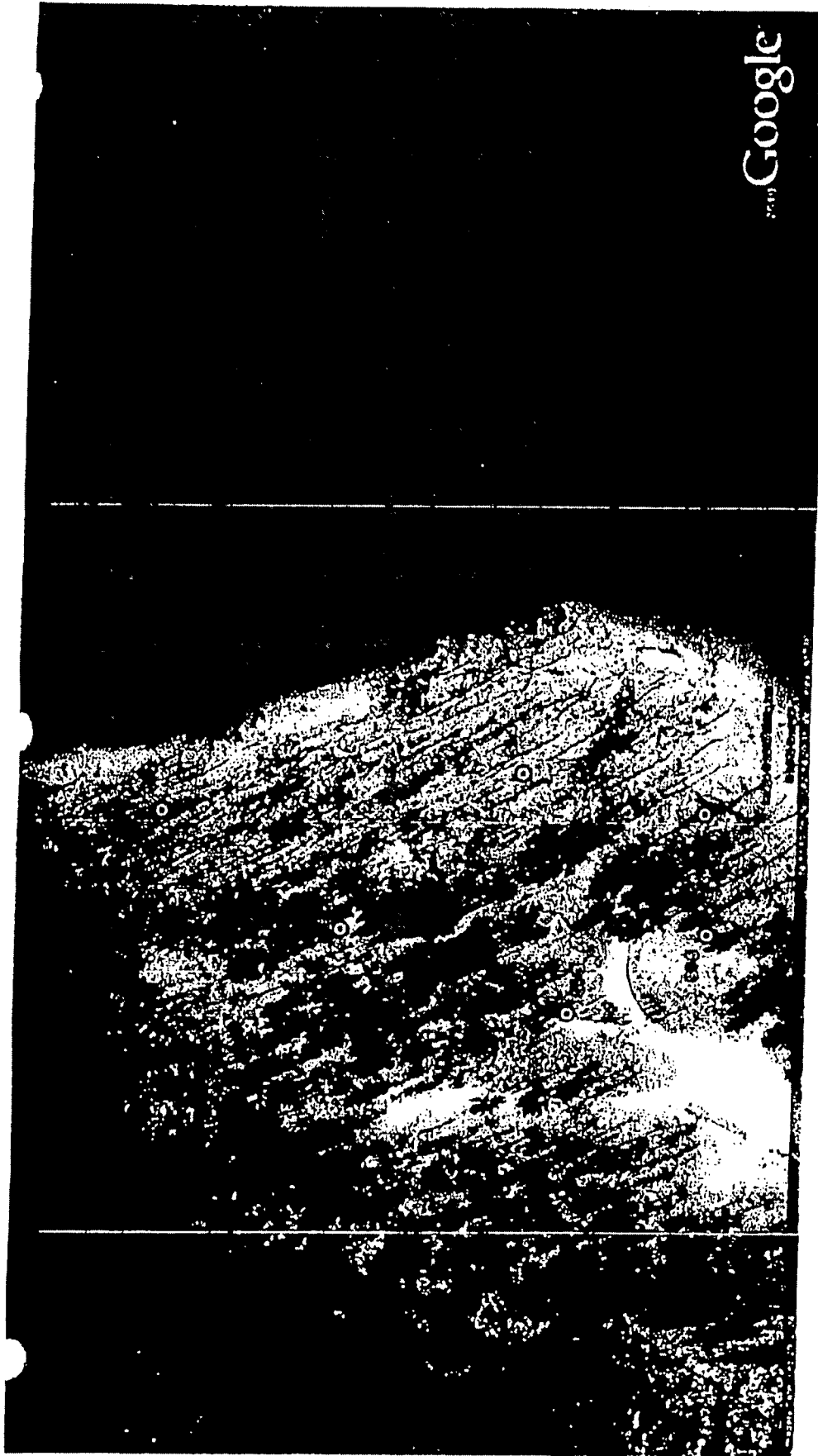

William A. Mathews, P.E.
Chief Engineer
Registered, SC #14039




James C. Ernst
Construction Services Manager

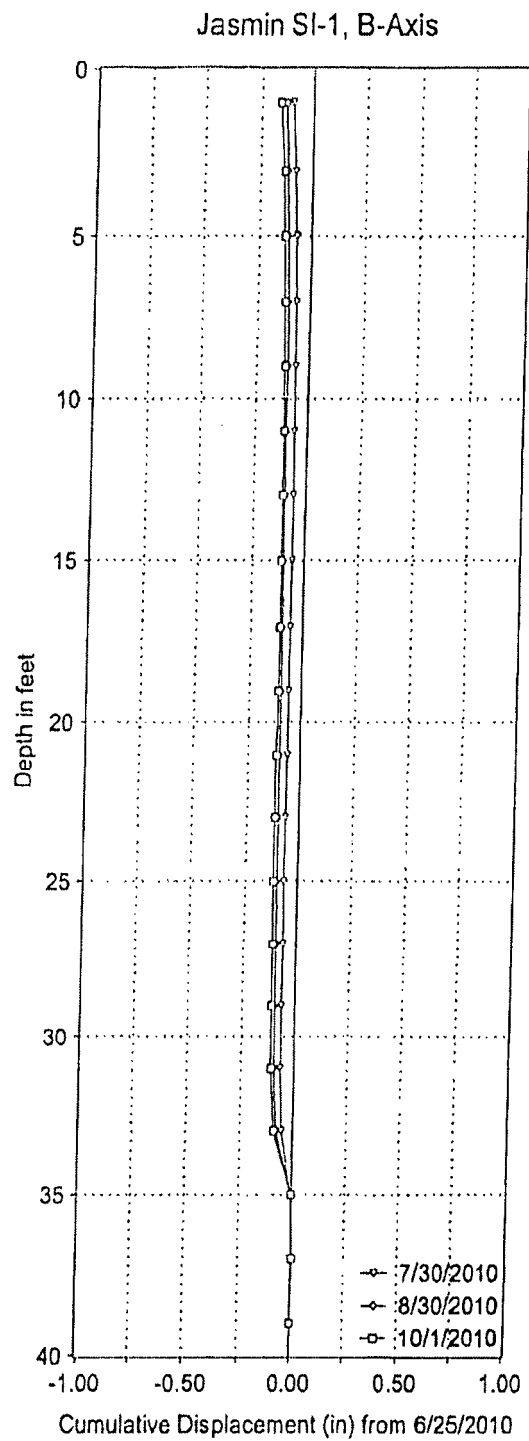
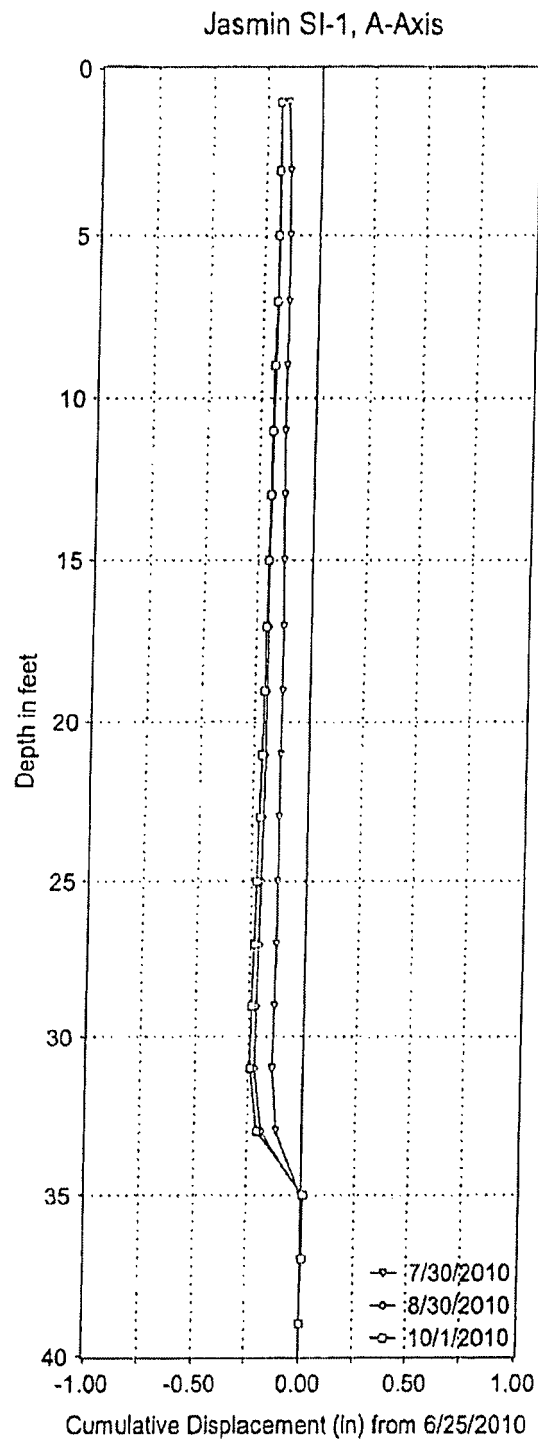
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*Jasmine Point
Cliffs @ Keweenaw Falls South*

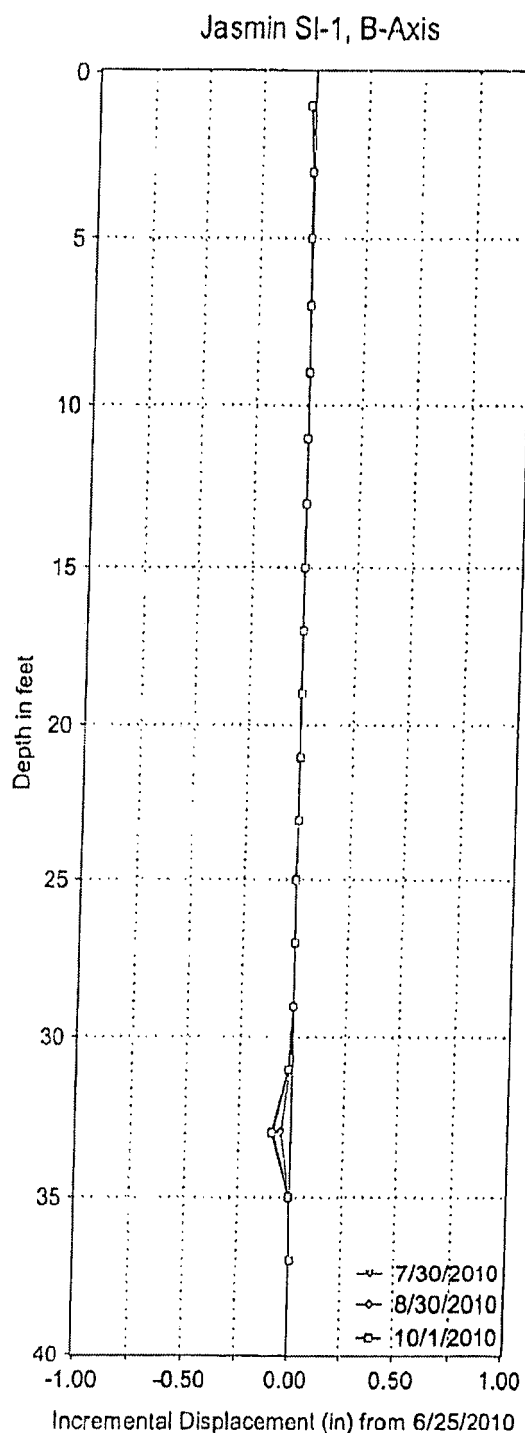
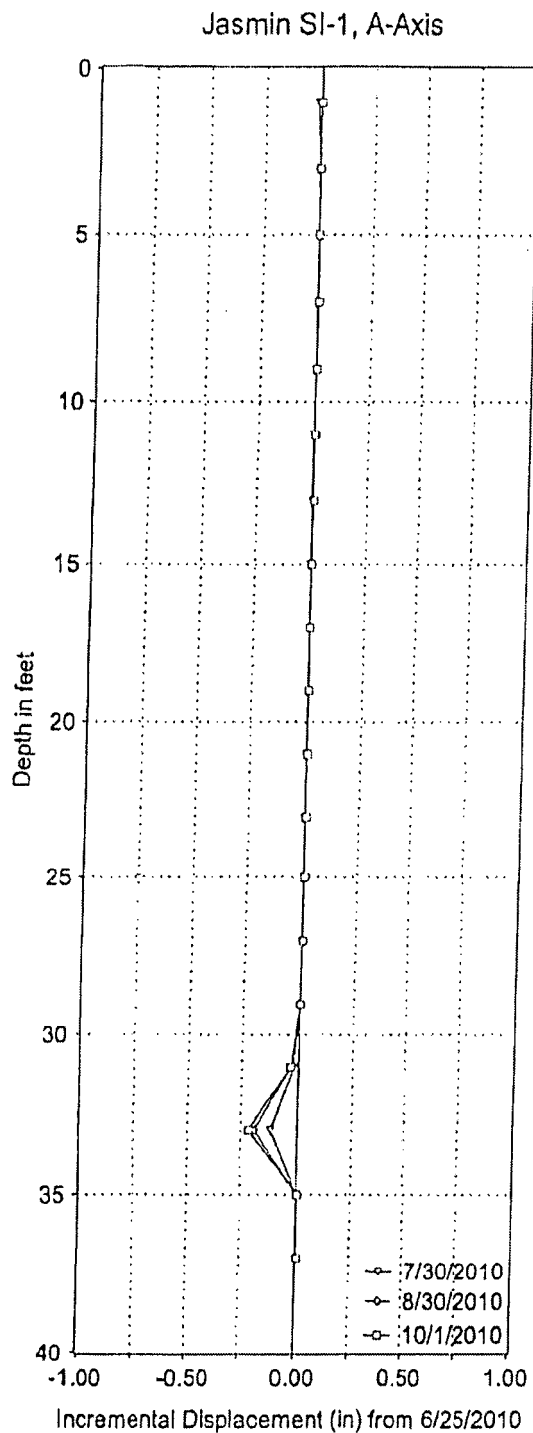
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BUE Project No. J10-7112-01*



Jasmine Point

BLE Project No. J10-7112-01

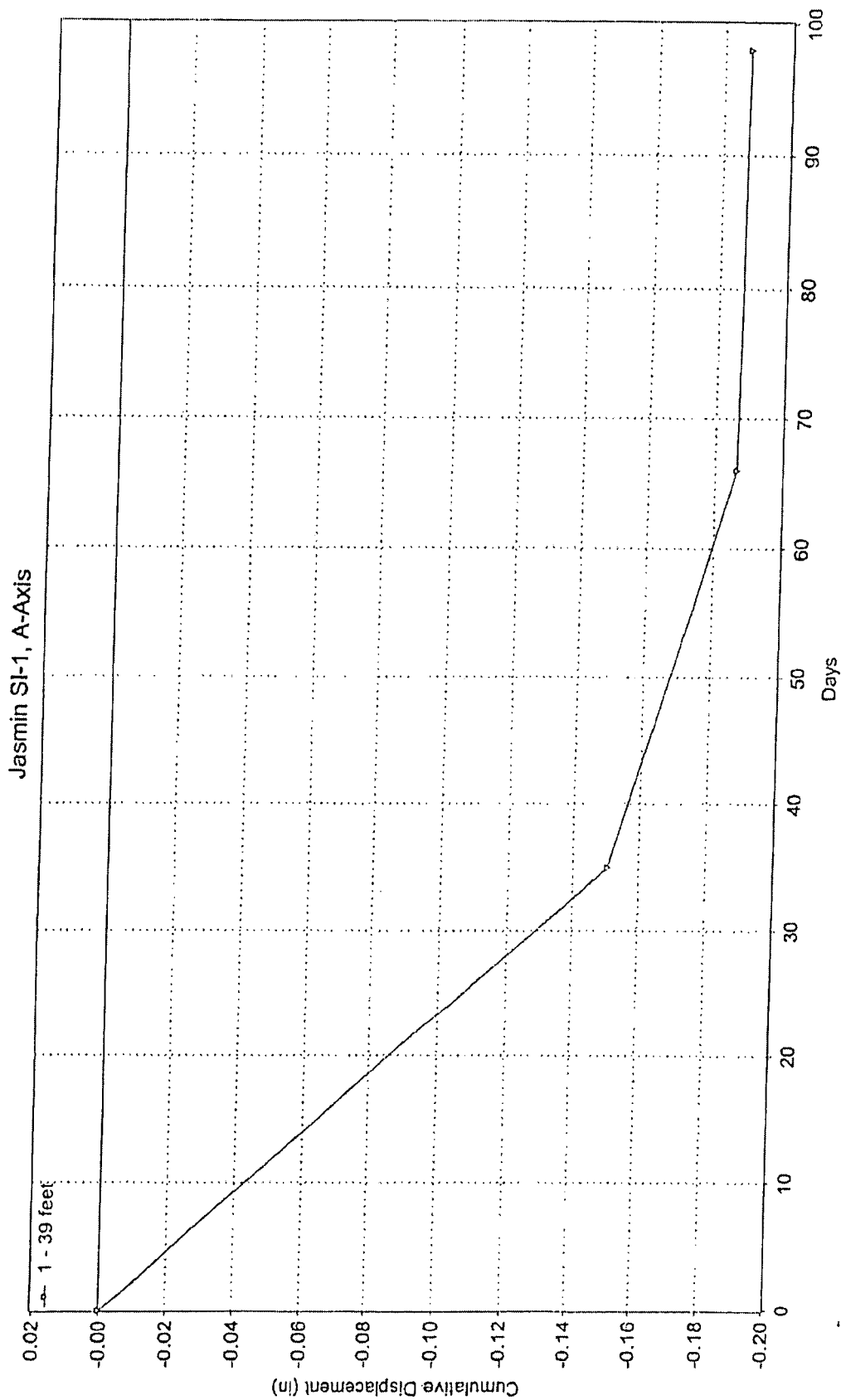
Cliffs at Keowee Falls South



Jasmine Point

BLE Project No. J10-7112-01

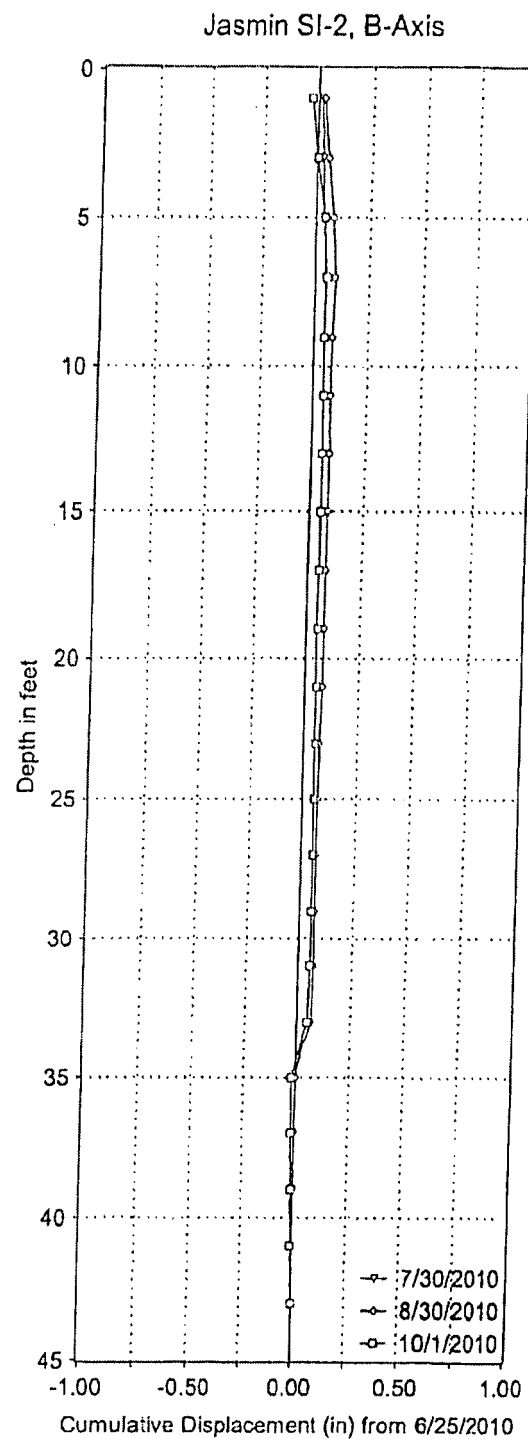
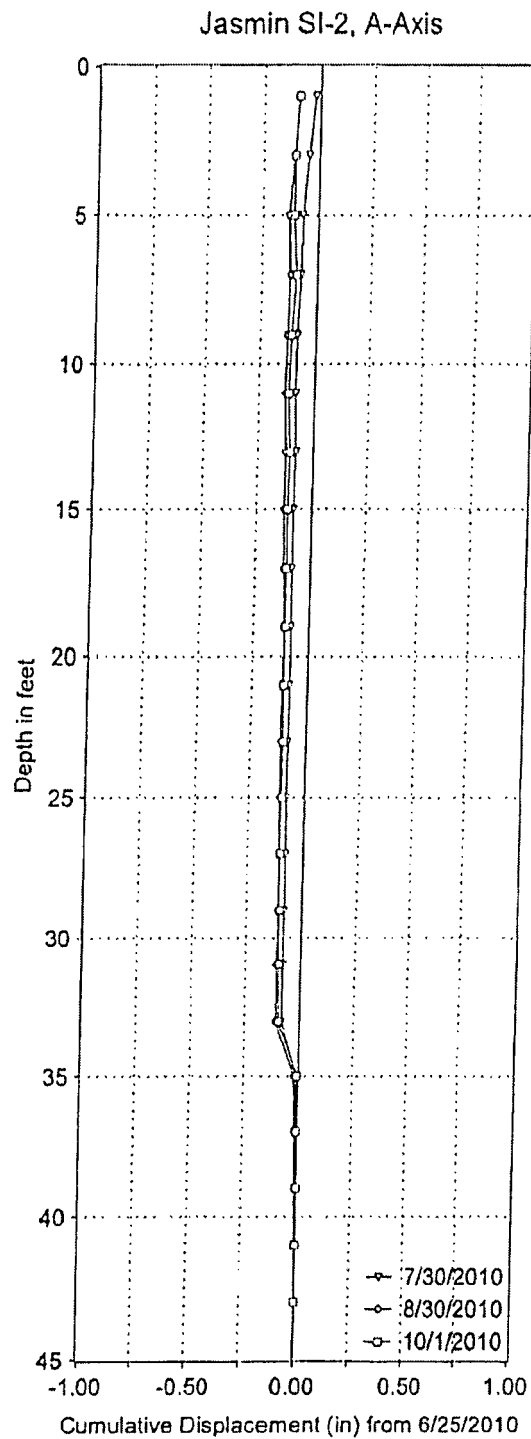
Cliffs at Keowee Falls South



Jasmine Point

Cliffs at Keowee Falls South

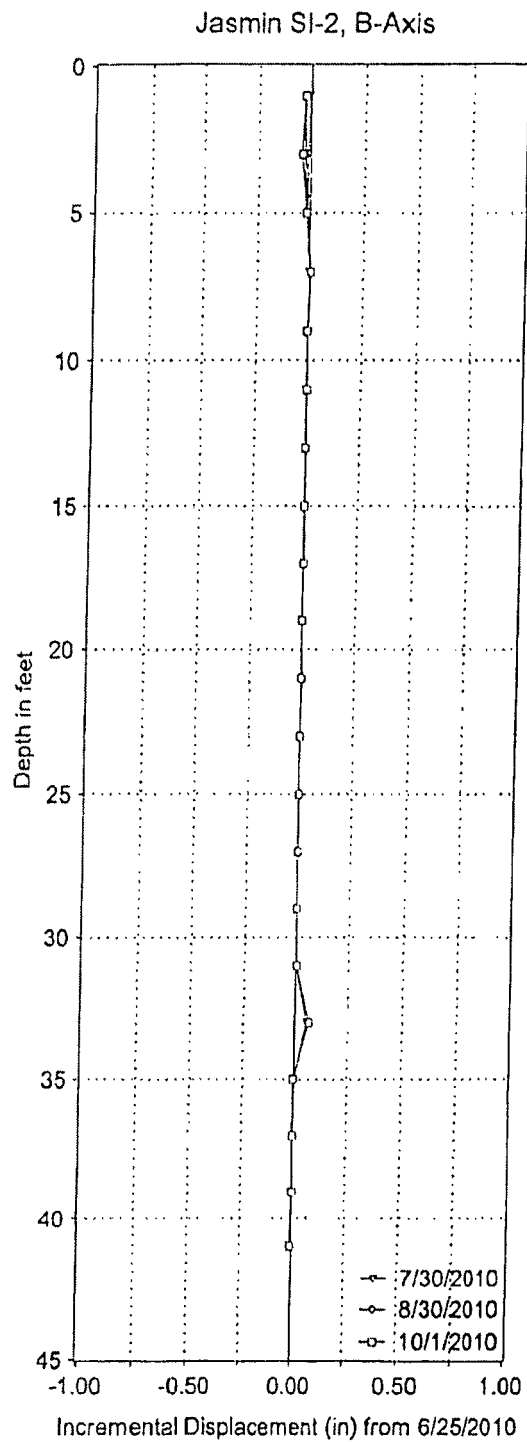
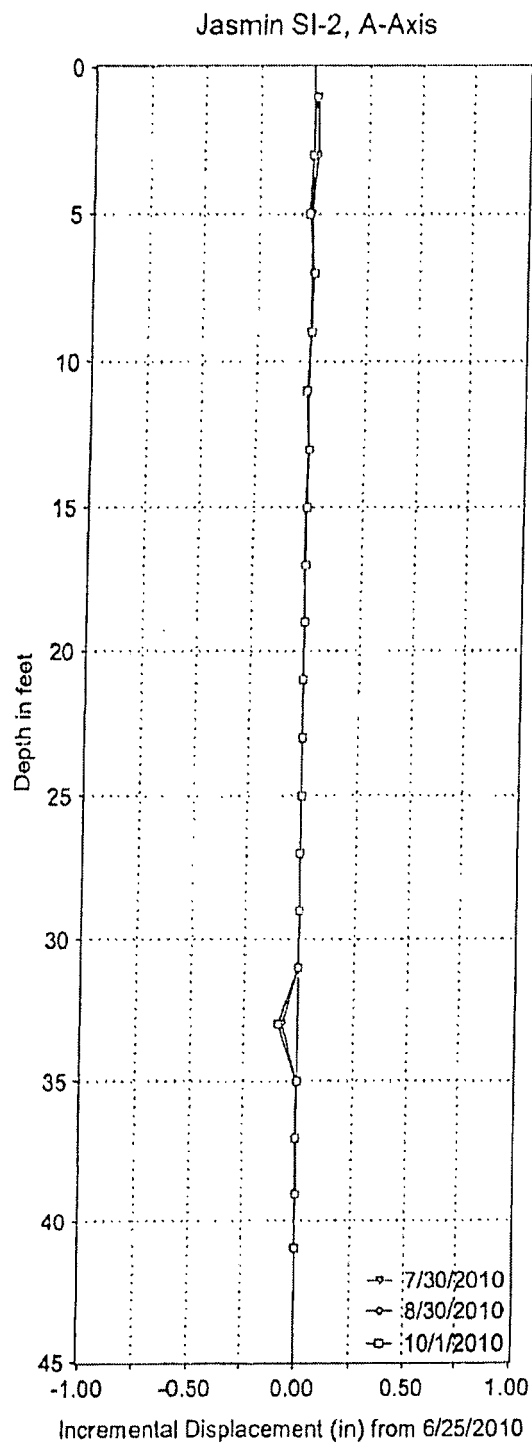
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Jasmine Point

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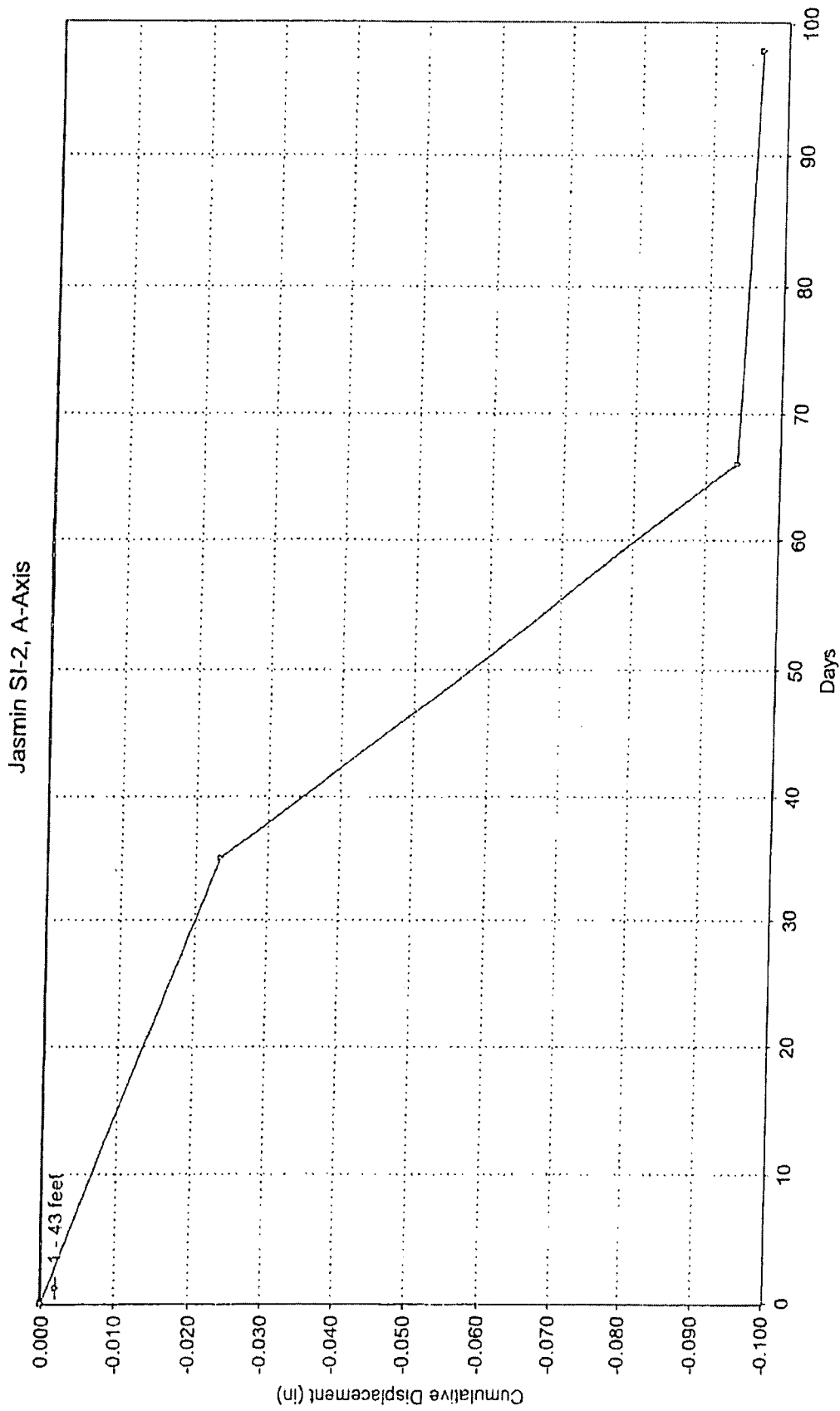
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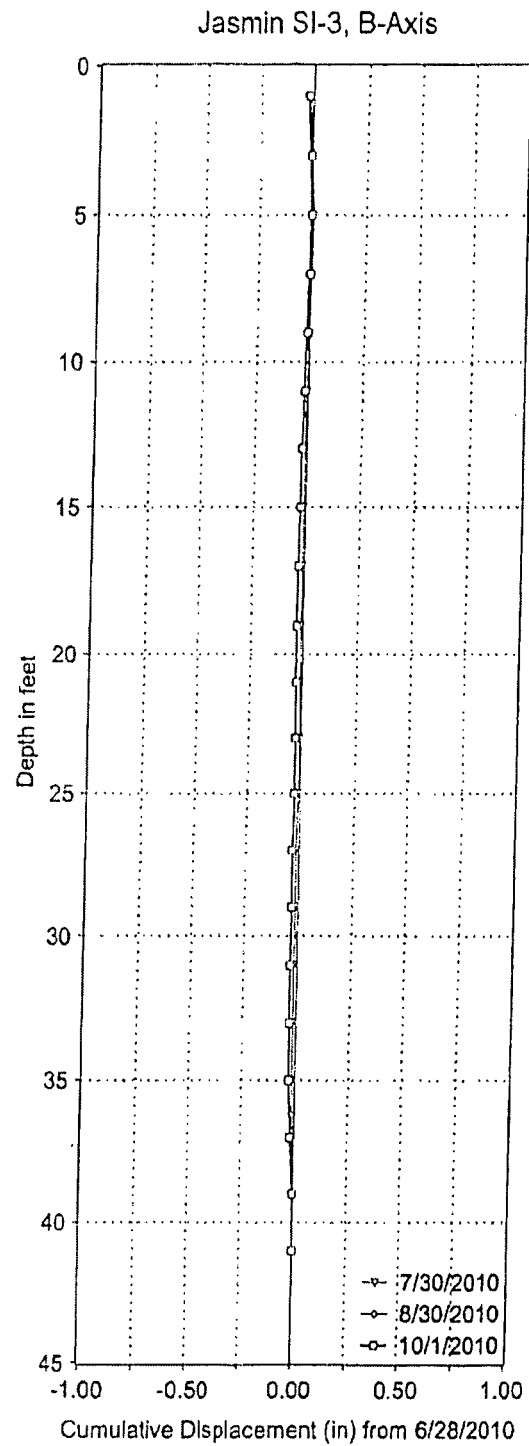
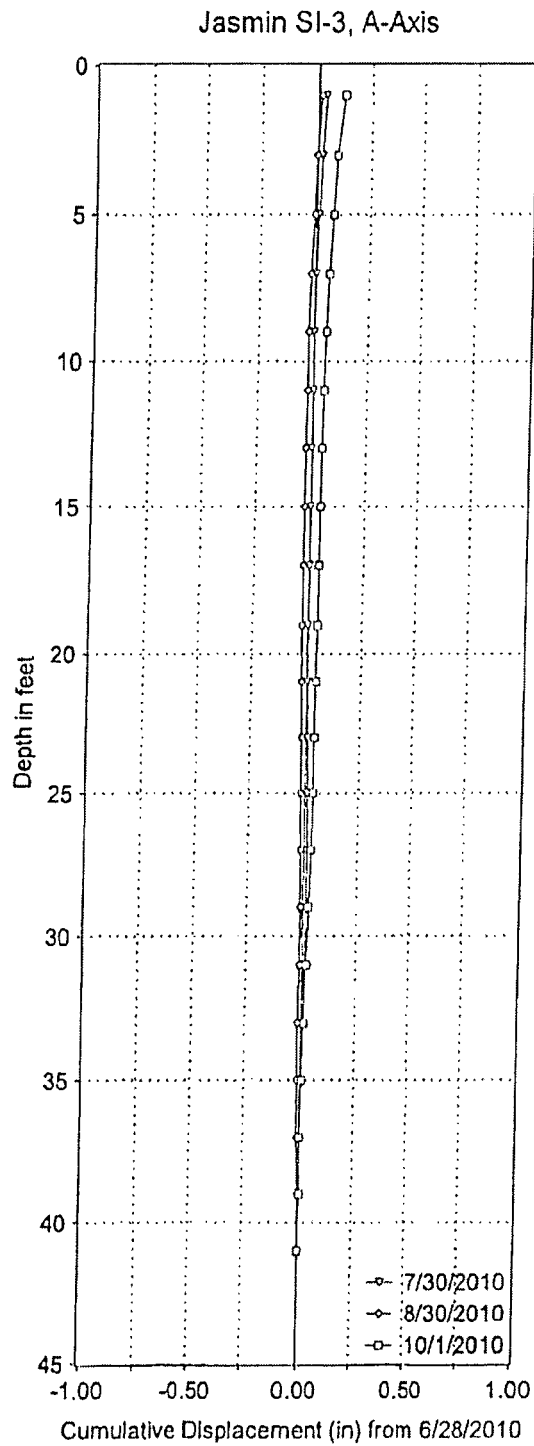
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Jasmine Point

Cliffs at Keowee Falls South

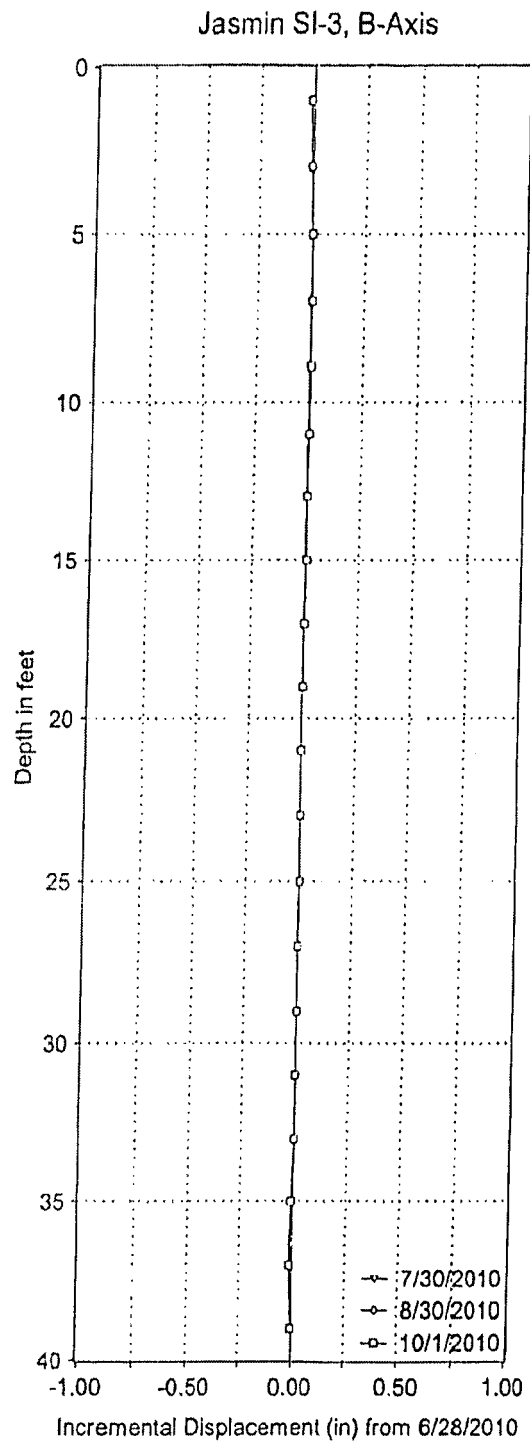
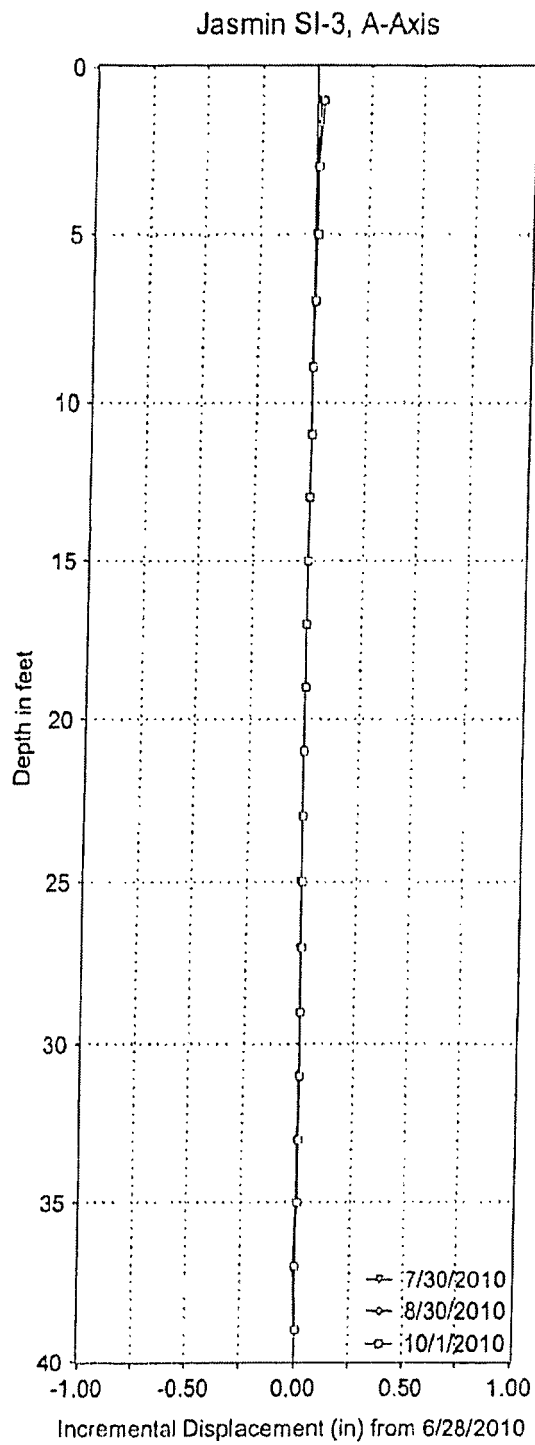
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Jasmine Point

BLE Project No. J10-7112-01

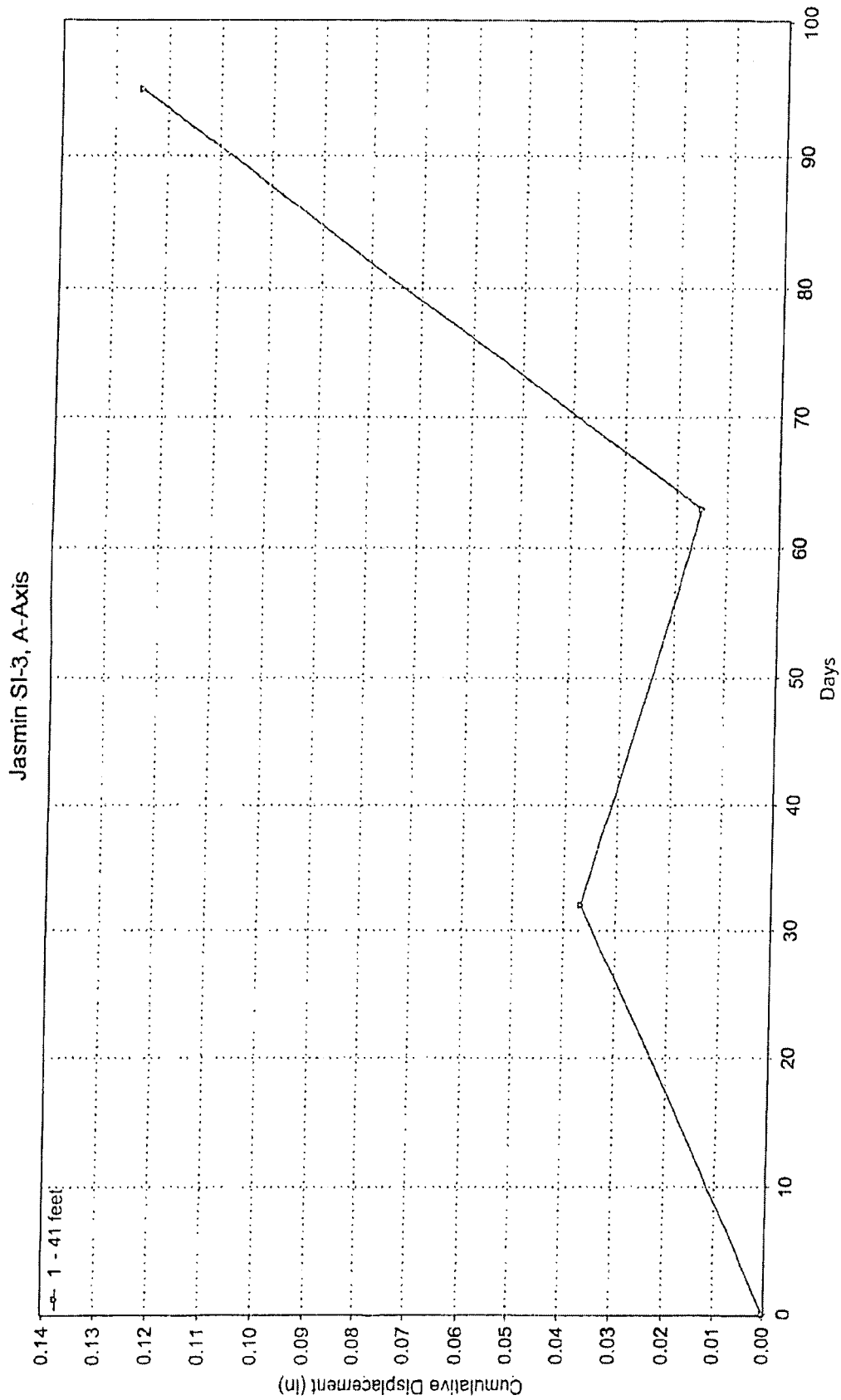
Cliffs at Keowee Falls South



Jasmine Point

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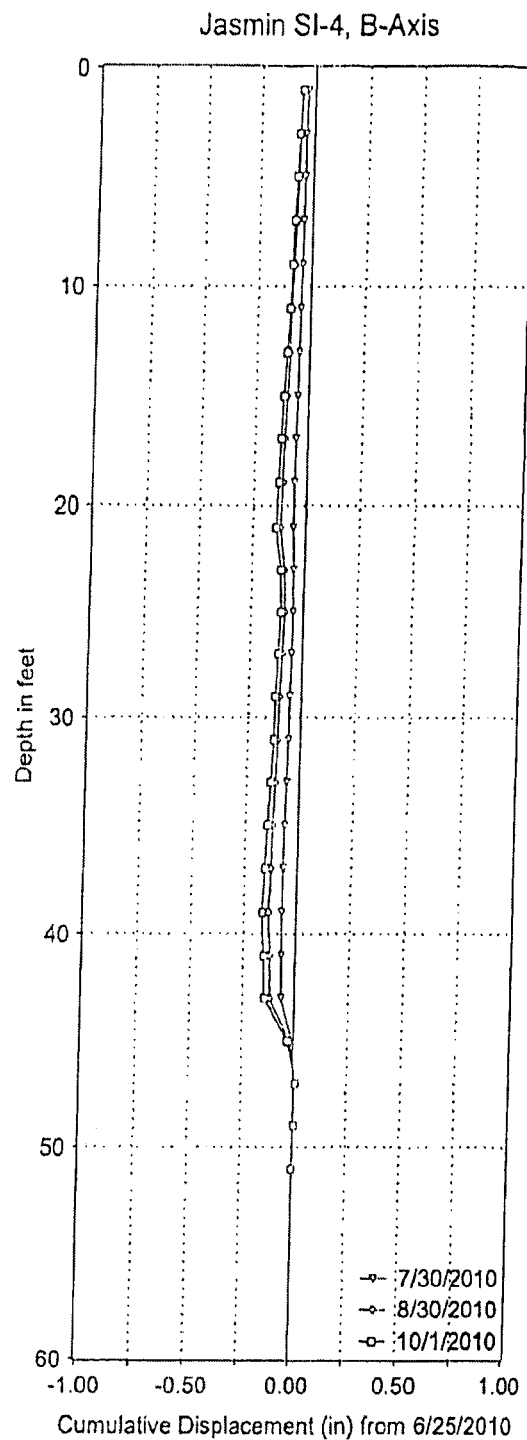
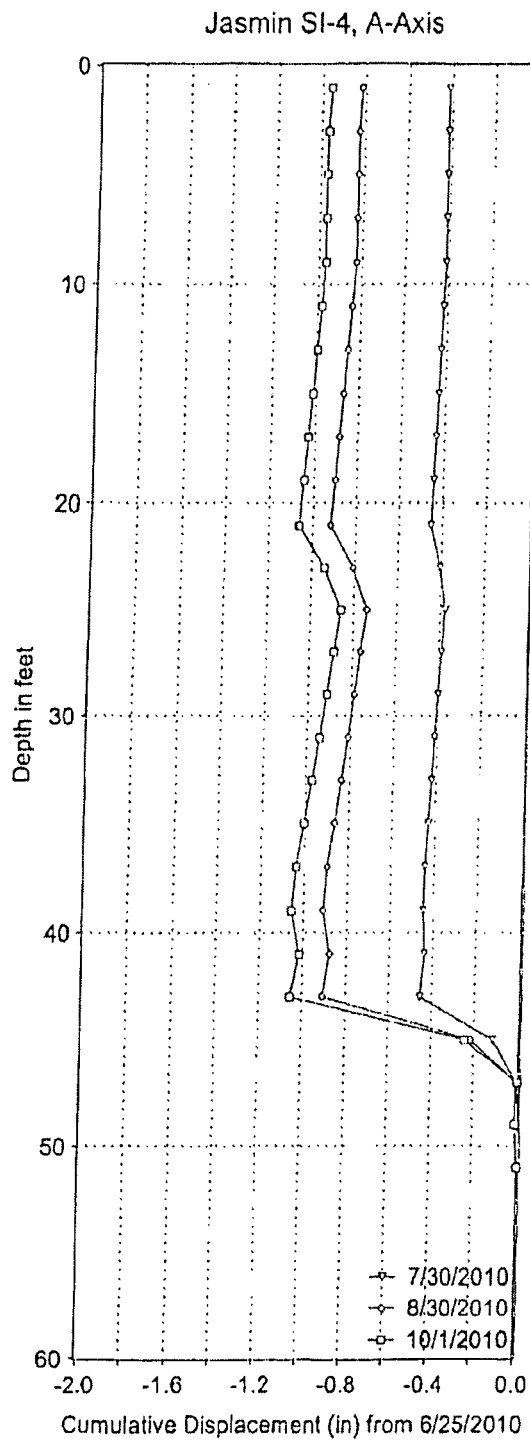
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Jasmine Point

Cliffs at Keowee Falls South

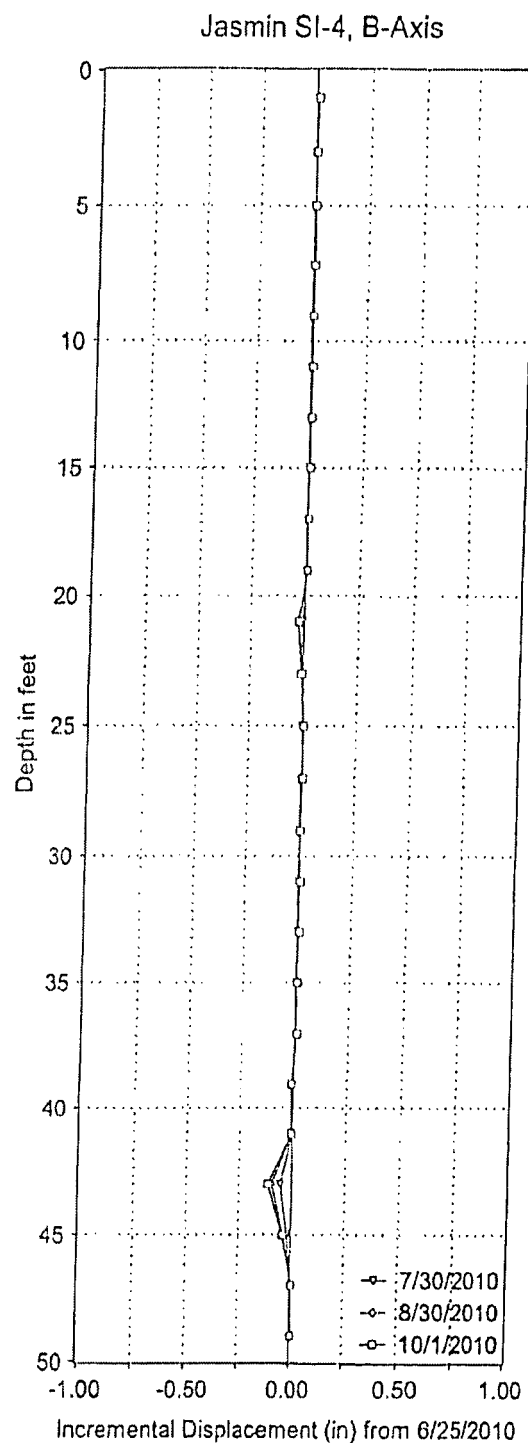
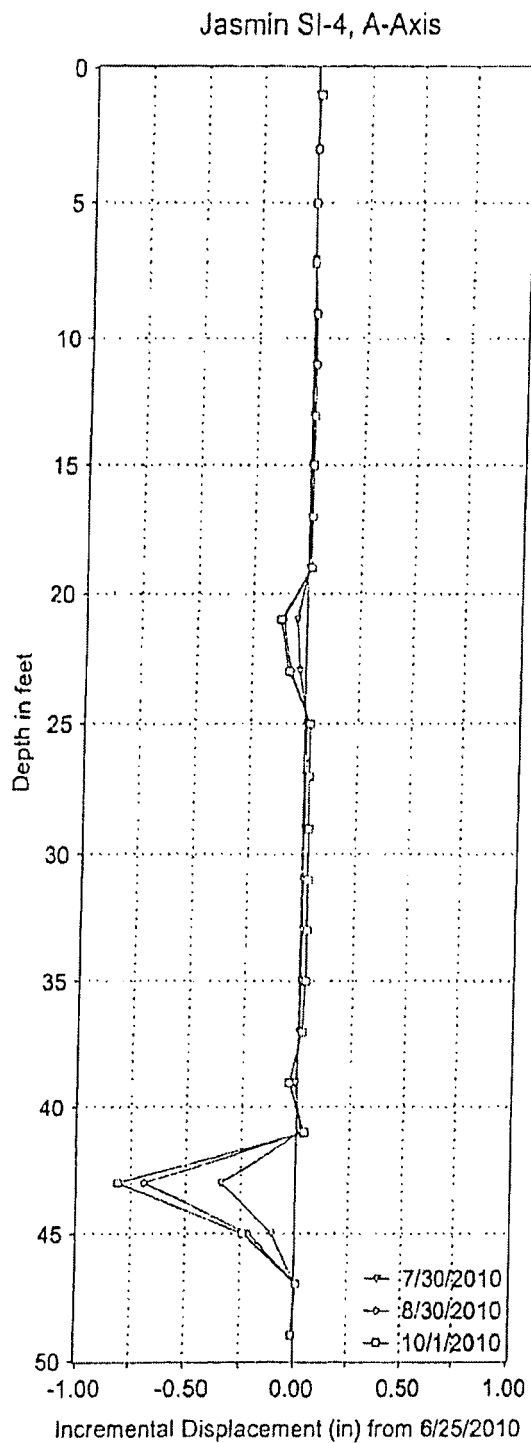
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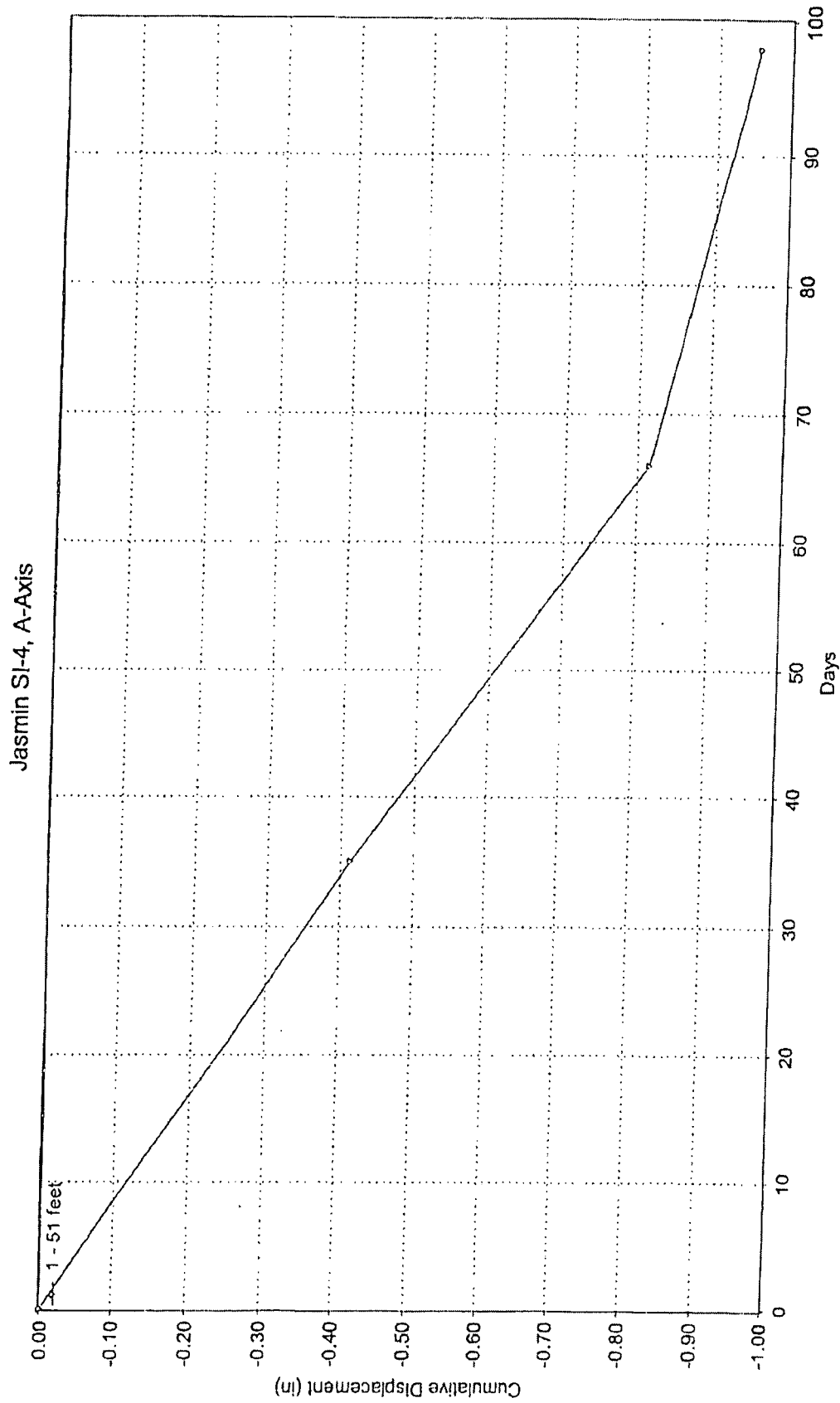
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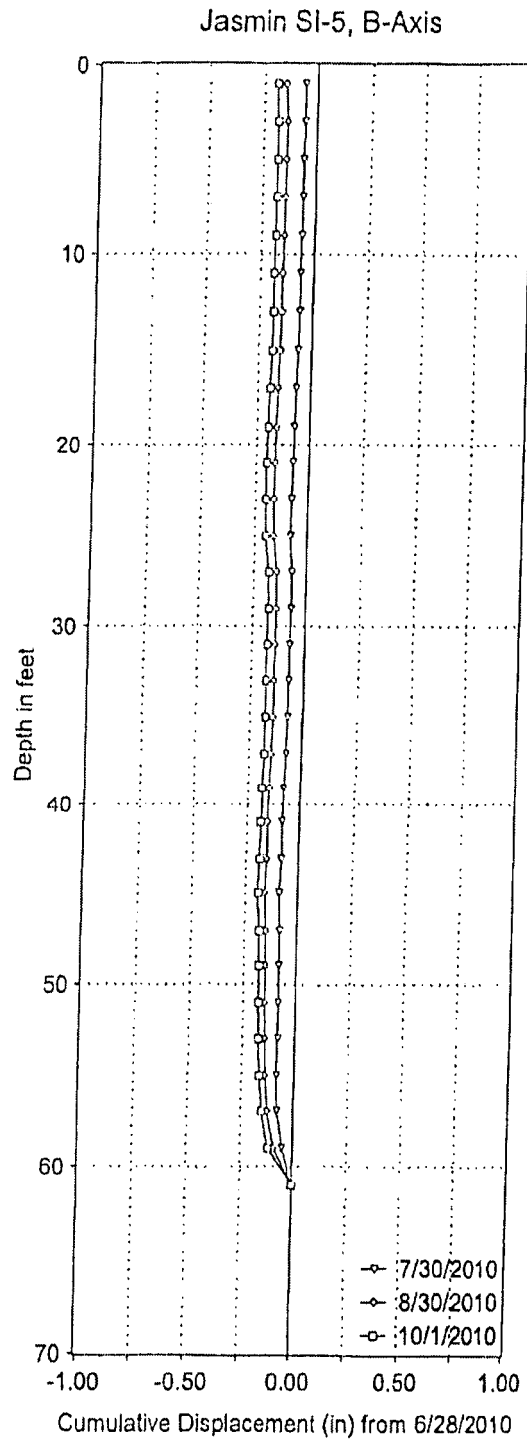
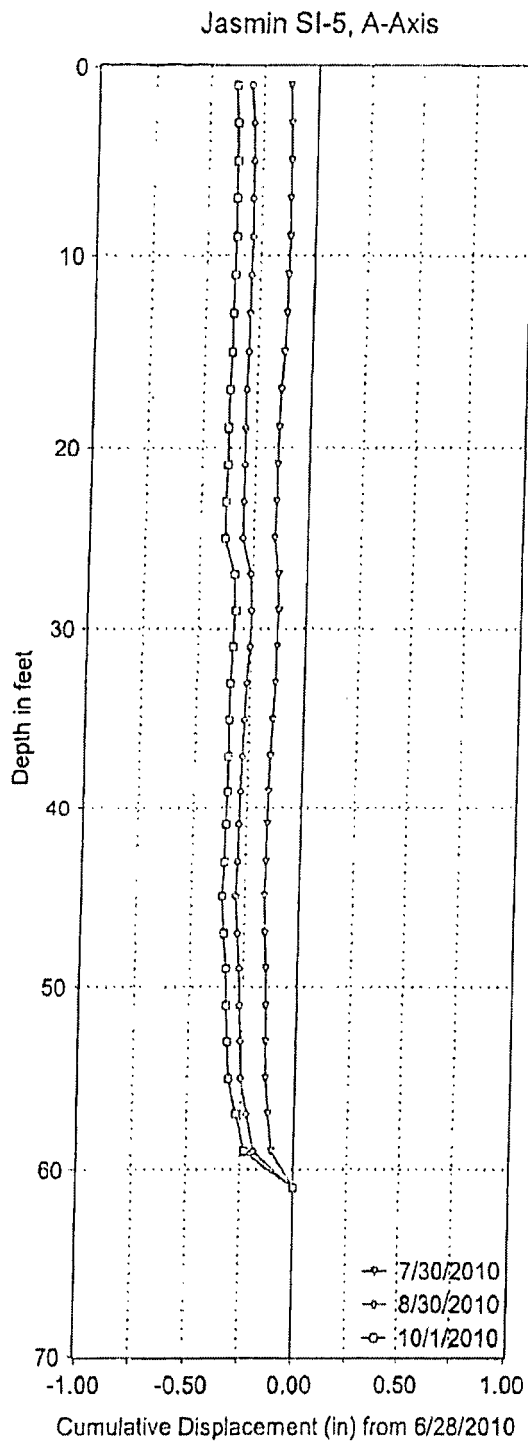
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Jasmine Point

Cliffs at Keowee Falls South

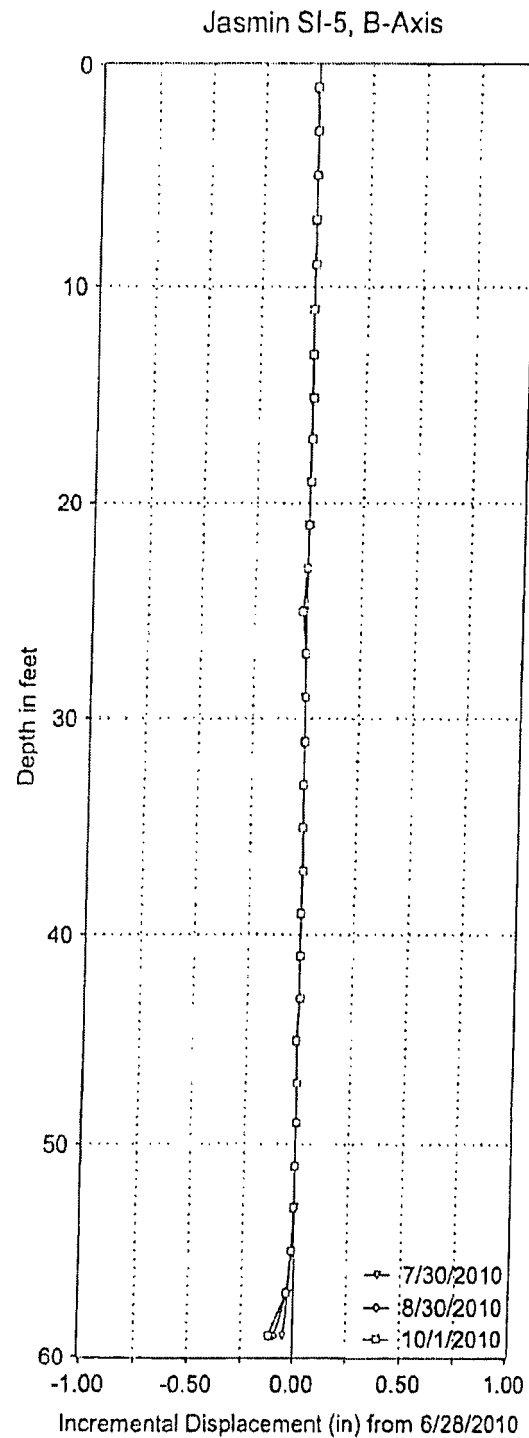
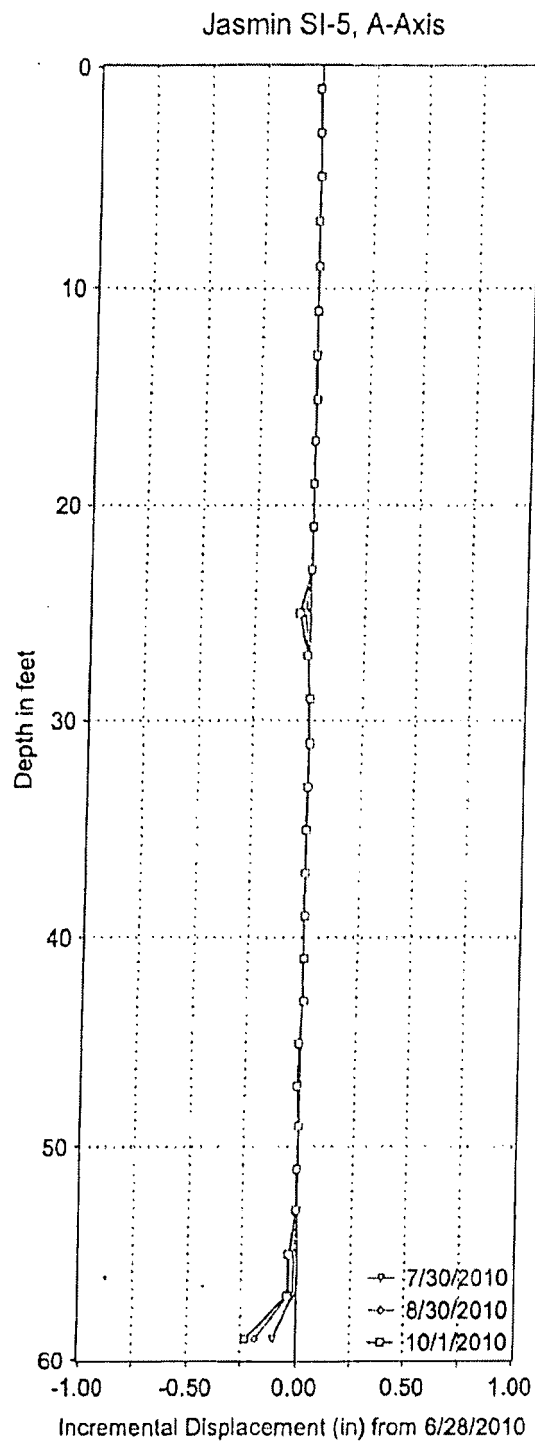
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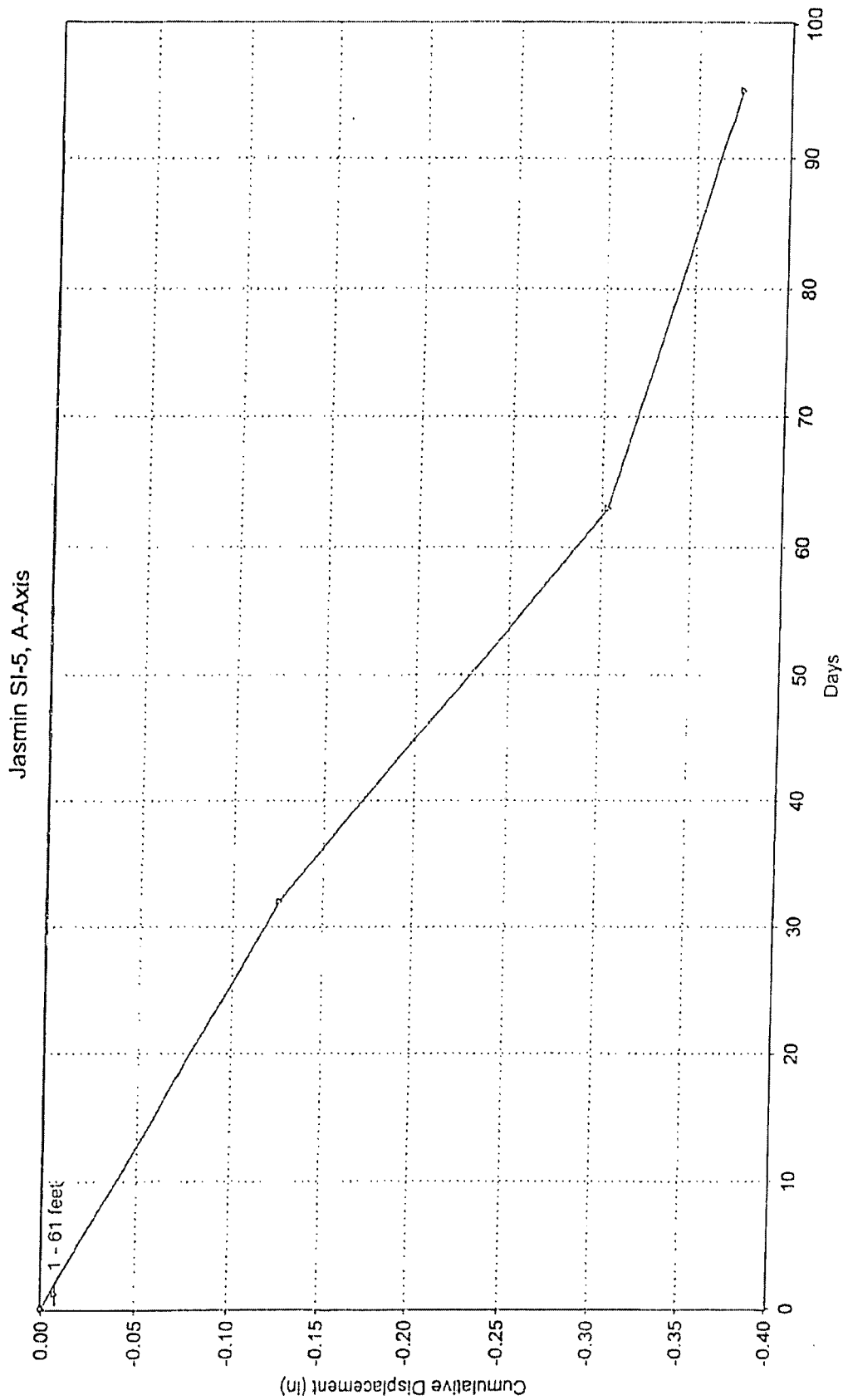
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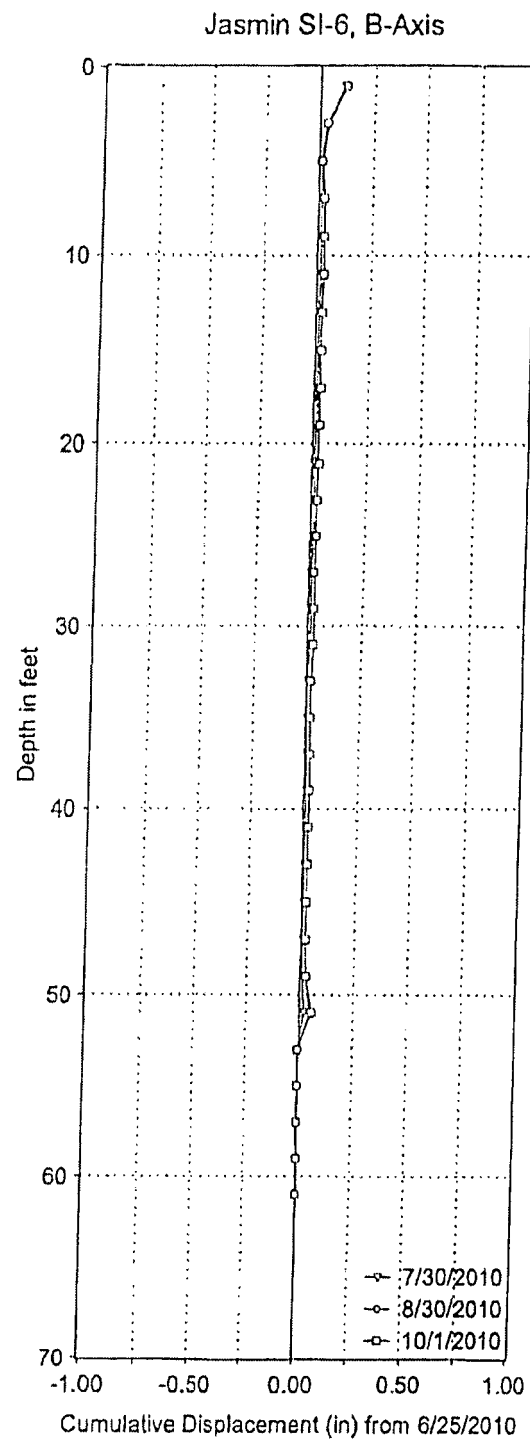
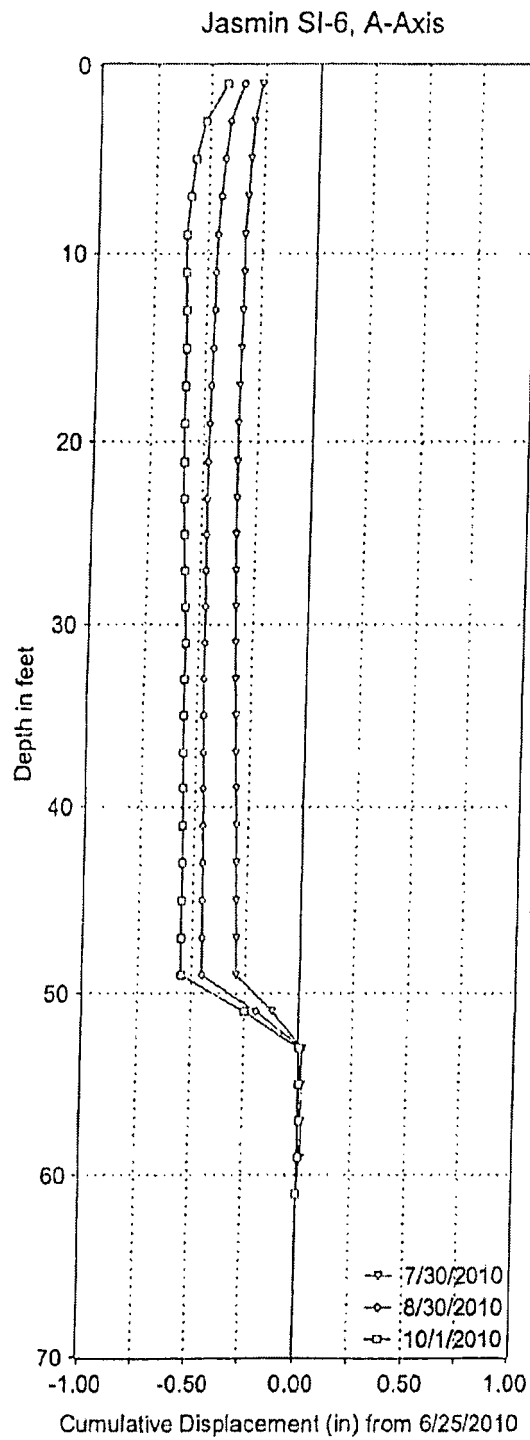
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Cliffs at Keowee Falls South

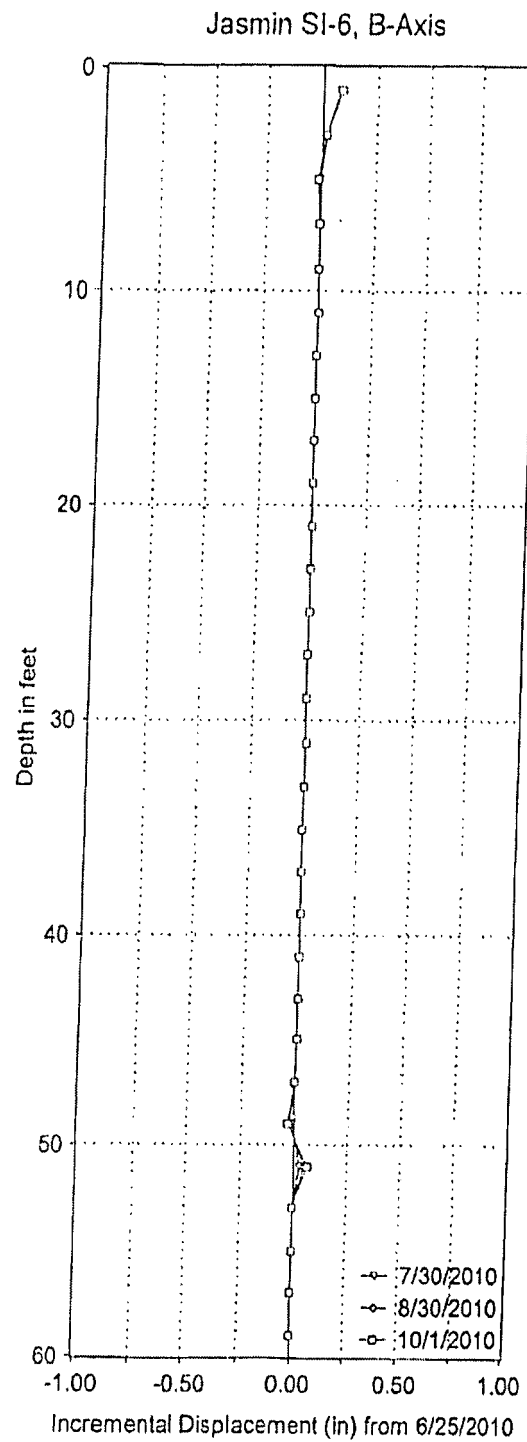
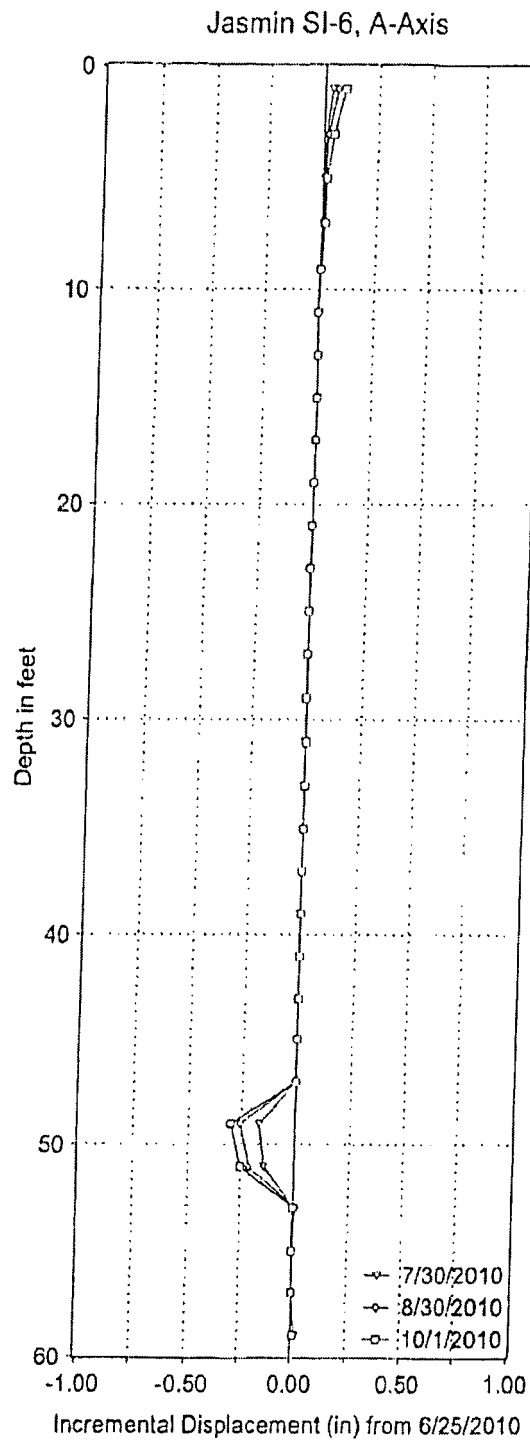
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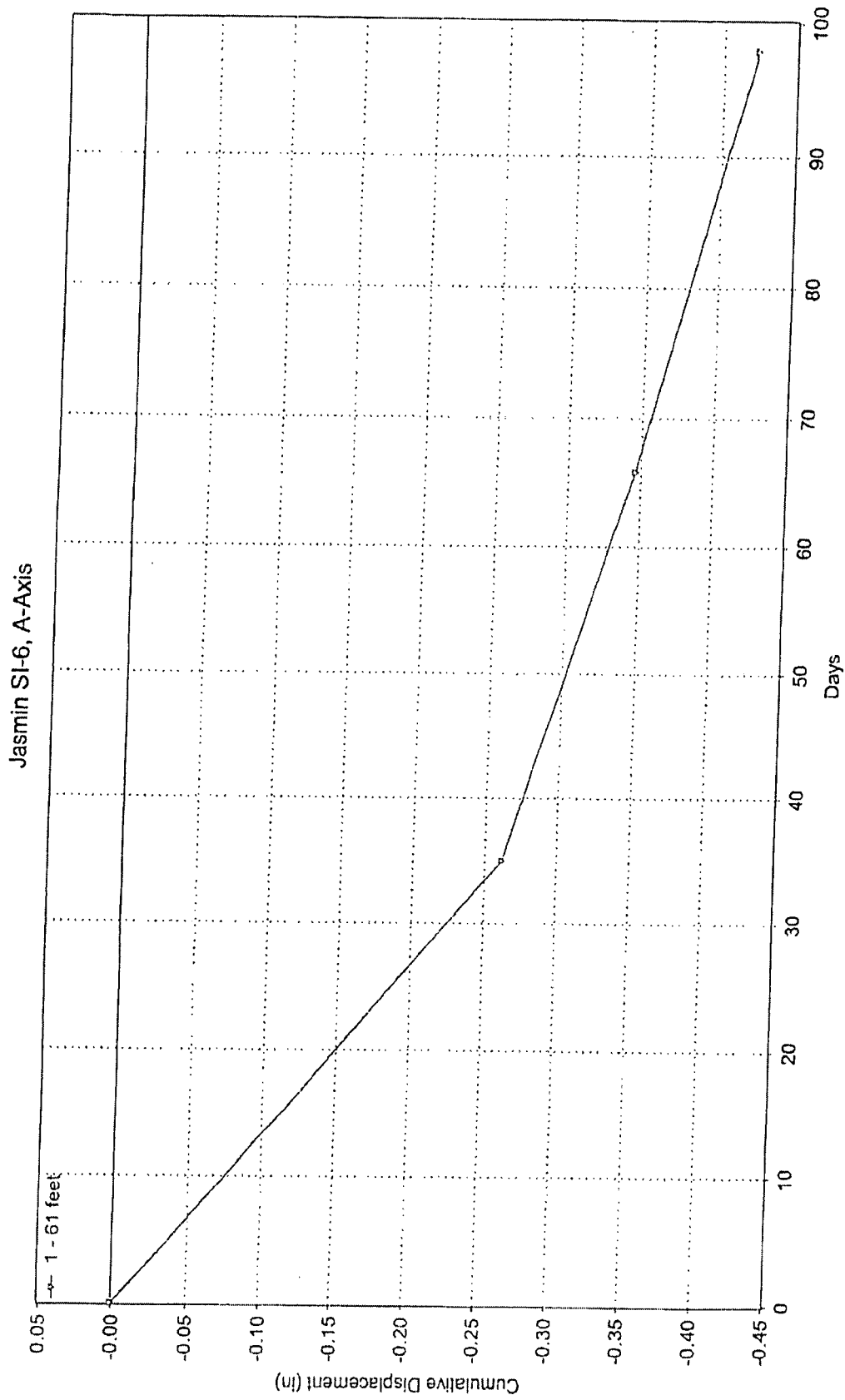
Cliffs at Keowee Falls South



Jasmine Point

BLE Project No. J10-7112-01

Cliffs at Keowee Falls South



Jasmine Point

Cliffs at Keowee Falls South

BLE Project No. J10-7112-01

IBLE^{INC.}
BUNNELL-LAMMONS ENGINEERING, INC.
GEOTECHNICAL, ENVIRONMENTAL AND CONSTRUCTION MATERIALS CONSULTANTS

April 11, 2011

The Cliffs Communities
Post Office Box 1519
Travelers Rest, South Carolina 29690

Attention: Mr. Donald H. Nickell, Jr.
dnickell@cliffscommunities.com

Subject: Data Report of Slope Inclinometer Surveys
April 8, 2011 Readings
Jasmine Point – Cliffs at Keowee Falls South
Oconee County, South Carolina
BLE Project No. J10-7112-01

Gentlemen:

We are pleased to submit this data report of the surveys obtained from the slope inclinometers installed at Jasmine Point in the Cliffs at Keowee Falls South development. The data presented herein includes the latest round of readings obtained on April 8, 2011. The data included in this report is referenced to baseline data obtained on June 25, 2010. There are six inclinometers installed on Lots 30, 31 and 32 as indicated in the following table.

Inclinometer Number	Location
SI-1	Lot 30 upper
SI-2	Lot 30 lower
SI-3	Lot 31 upper
SI-4	<i>Lot 31</i> Lot 32 lower
SI-5	Lot 32 upper
SI-6	Lot 32 lower

Note: Locations identified as upper represent inclinometers installed on the upper side of the lots near the road, lower represents inclinometers installed on the lower side of the lots near the lake.

The inclinometers were installed into soil test borings (ASTM D 1586) that were drilled between May 27, 2010 and June 8, 2010. Subsurface conditions that were encountered at each boring location are identified on the attached boring logs. The borings are identified as B-1 through B-6 and the boring numbers correspond with the inclinometer numbers (i.e. inclinometer SI-1 was



*Data Report of Slope Inclinometer Surveys
Jasmine Point - Cliffs at Keowee Falls South*

*April 11, 1011
BLE Project No. J10-7112-01*

installed in boring B-1 and so on). The attached aerial photograph identifies the locations of the inclinometers that was produced by tagging the inclinometer locations with a handheld GPS and inputting the coordinates into Google Earth.

The attached graphs present information on each of the inclinometers. Where the attached graphs identify two axes (A-axis and B-axis), the A-axis is oriented in a generally uphill-downhill direction and the B-axis is oriented in a generally cross slope direction. Movement in the negative direction on the A-axis represents downslope (direction of potential failure) movement. There are three graphs for each inclinometer as follows:

1. Cumulative Displacement vs. Depth
2. Incremental Displacement vs. Depth
3. Cumulative Displacement vs. Time (A-axis)

Cumulative displacement vs. depth is a plot of movement. Displacements on these plots may appear abrupt because the horizontal scale is not proportional to the vertical scale, which makes it easier to identify displacements. Incremental displacement vs. depth is a plot of movement at each reading interval. A spike in these graphs indicates significant movement. Growth in the spike over time indicates continued movement. Cumulative displacement vs. time provides an indication as to the rate of movement.

EVALUATION

A review of the Cumulative Displacement vs. Depth plots indicate that movement is occurring in five of the six inclinometers. Inclinometers SI-1, SI-2, SI-4 and SI-6 indicate an apparent failure plane developing at depths ranging from approximately 35-ft to 53-ft below the ground surface. A review of the accompanying boring logs indicates that the failure plane appears to be developing at or near the interface between residual soils and partially weathered rock (or dense residual soils). In our report dated October 25, 2010 we indicated that only two of the inclinometers (SI-4 and SI-6) had indicated significant movement since the August 30, 2010 readings were collected. We noted that there had been little precipitation during that period and that it should be expected that additional movement may occur in the remaining inclinometers during wet weather cycles. Since that time there has been considerable precipitation, particularly in the month preceding the current readings and, as expected, five of the six inclinometers have indicated movement since October. The only inclinometer that does not appear to have indicated movement is SI-3, which has not indicated any appreciable movement since installation.

The plots from inclinometer SI-5 indicate that the movement appears to be occurring at or below the bottom of the inclinometer casing at this location. A review of boring B-5 indicates partially



*Data Report of Slope Inclinator Surveys
Jasmine Point - Cliffs at Keowee Falls South*

*April 11, 2011
BLE Project No. J10-7112-01*

weathered rock was encountered at a depth of approximately 64 feet. Therefore, it is our opinion that there may be a failure plane developing near the interface with the partially weathered rock similar to that observed in the inclinometers discussed above.

RECOMMENDATIONS

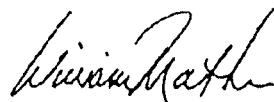
As previously reported, it is our opinion that there is an active, deep-seated slope failure occurring at the site. The rate at which movement occurs can be expected to vary over time and with environmental factors. However, it should be expected that movement will continue unless provisions to stabilize the slope are performed. Additional exploration, testing and analysis will be required to evaluate suitable methods for stabilizing the slope, which are beyond the scope of services for which we are currently authorized. If requested, we can prepare a proposal to provide additional engineering services required to develop conceptual stabilization methods.

This data submittal was the result of an extension of our scope of services as requested by Mr. Nickell in email correspondence with our Mr. Bill Mathews. Unless requested to collect additional inclinometer readings, we have completed the scope of services authorized for this project. We recommend that you retain a surveyor to develop a detailed topographic survey of the area. The topographic survey would be used in conjunction with the borings and inclinometer data to evaluate methods that could be used to stabilize the slope.

We appreciate the opportunity to provide our professional services on this project. If you have any questions or require additional information, please call.

Sincerely;

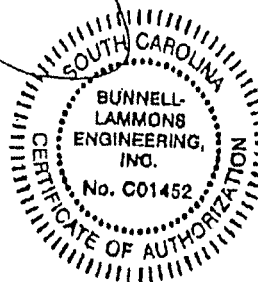
BUNNELL-LAMMONS ENGINEERING, INC.



William A. Mathews, P.E.
Chief Engineer
Registered, SC #14039



James C. Ernst
Construction Services Manager



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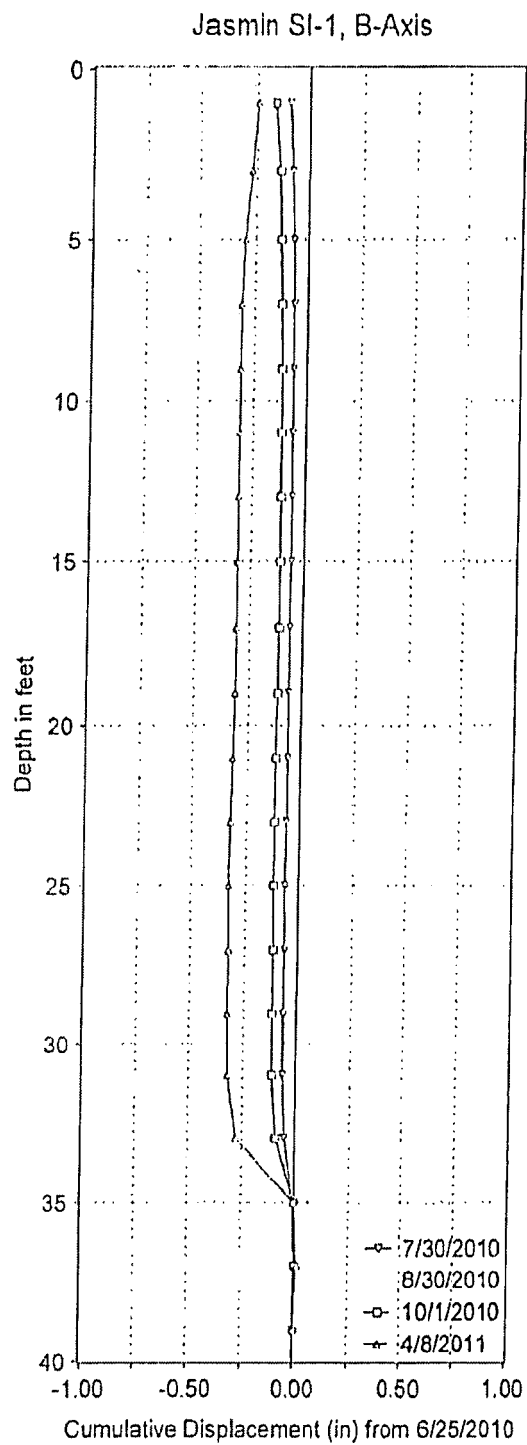
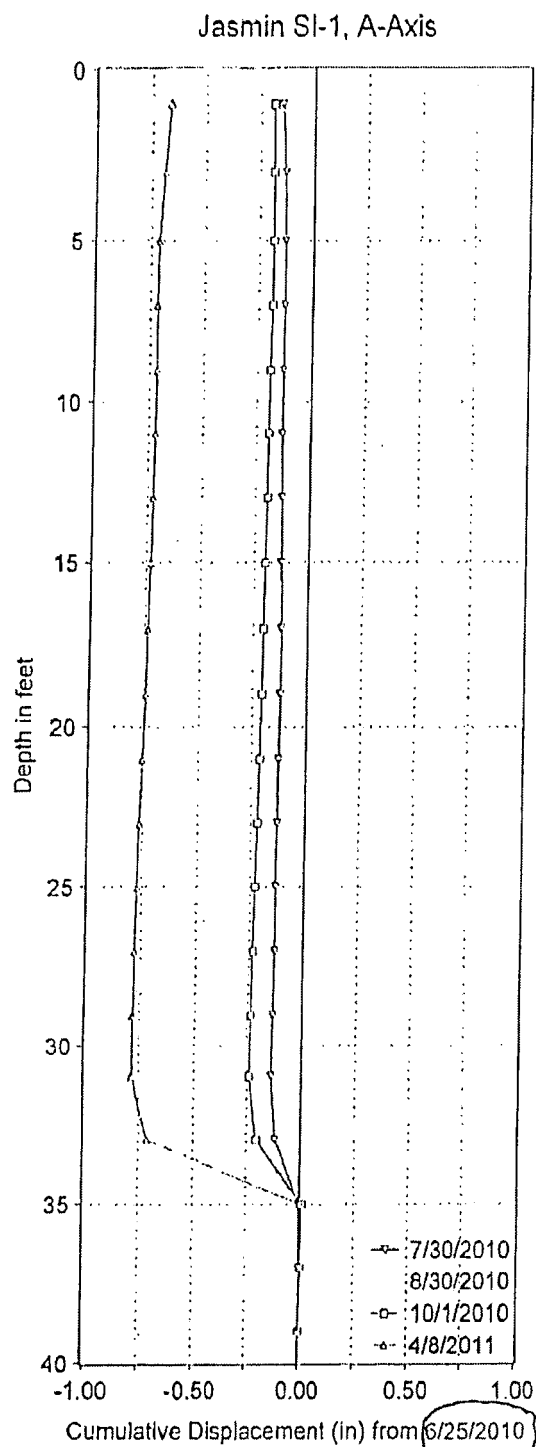


Jasmine Point
Cliffs @ Keowee Falls South

Inclinometer Locations
BLE Project No. J10-7112-01

Down Slope
Movement as of 8 Apr 2011

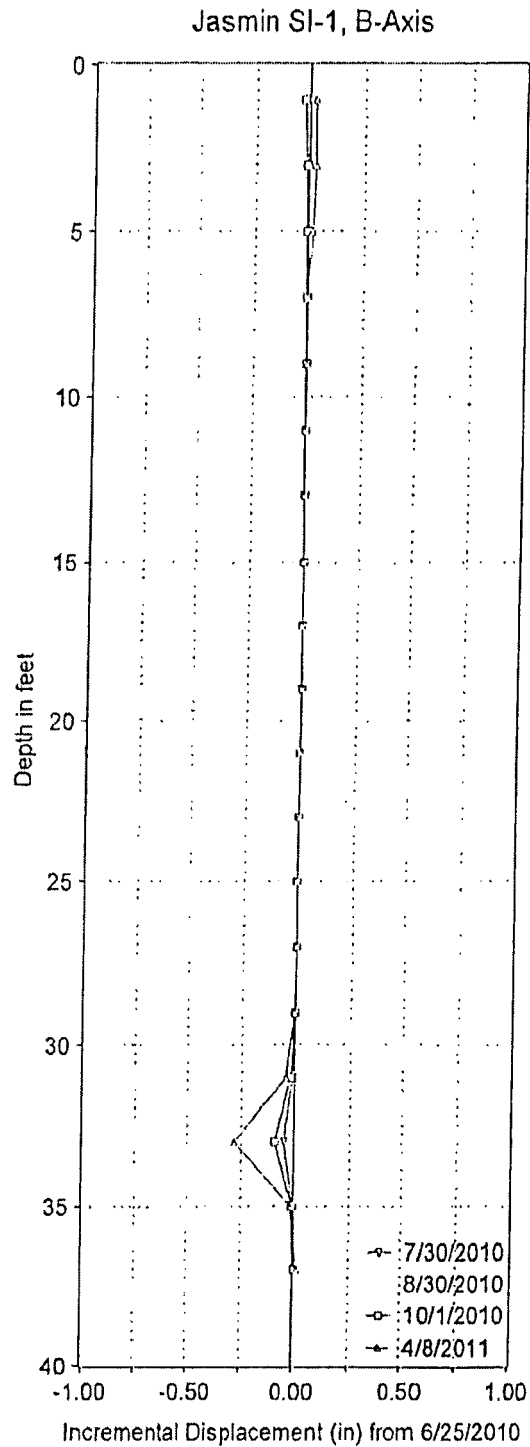
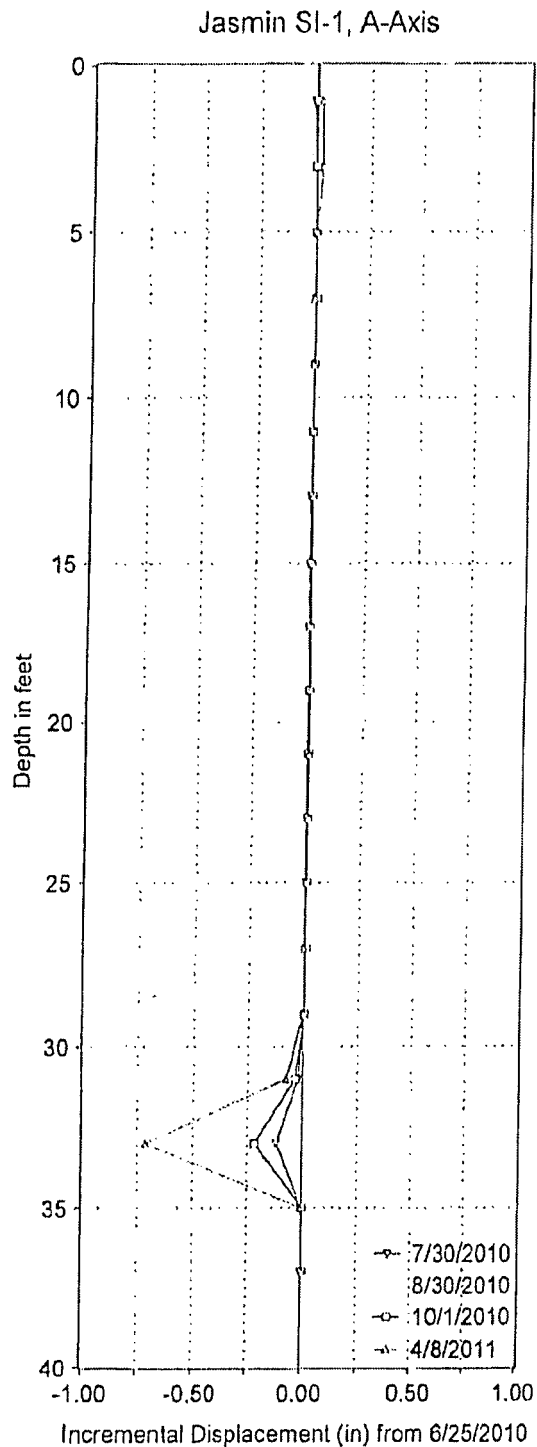




Jasmine Point

BLE Project No. J10-7112-01

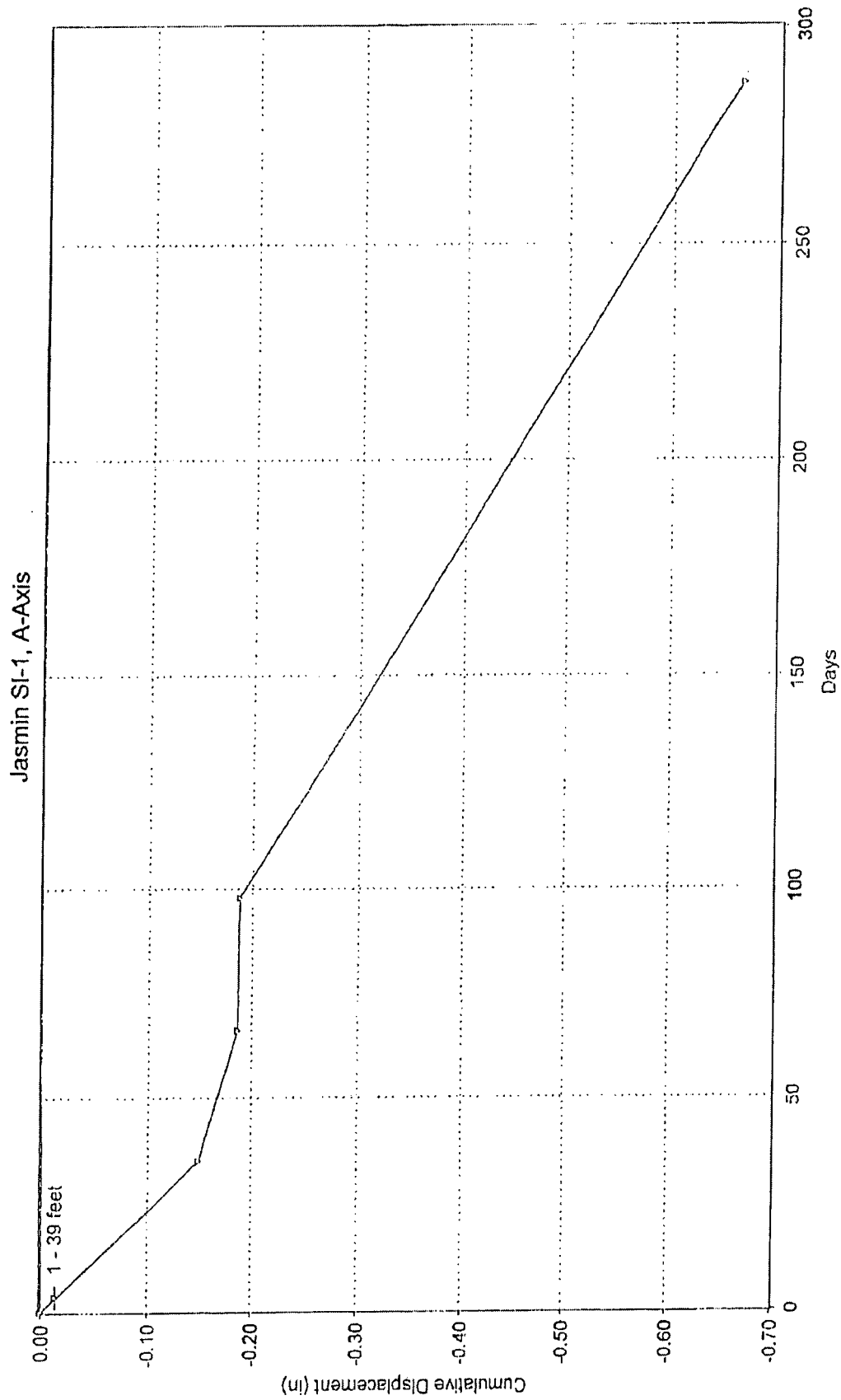
Cliffs at Keowee Falls South



Jasmine Point

BLE Project No. J10-7112-01

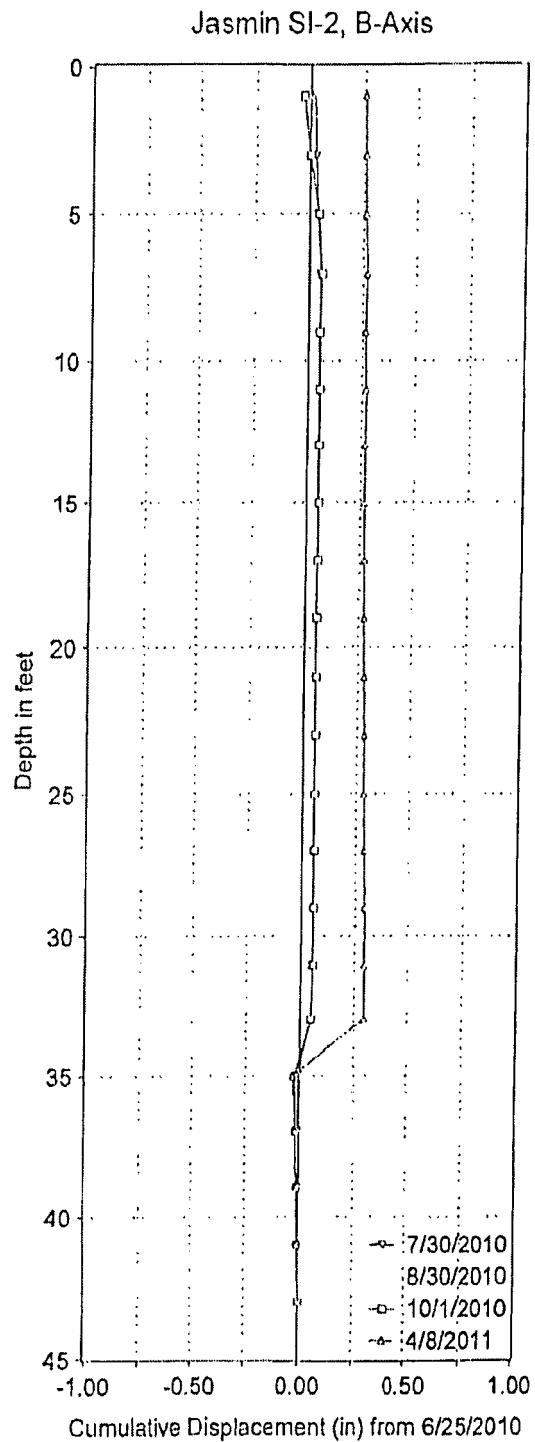
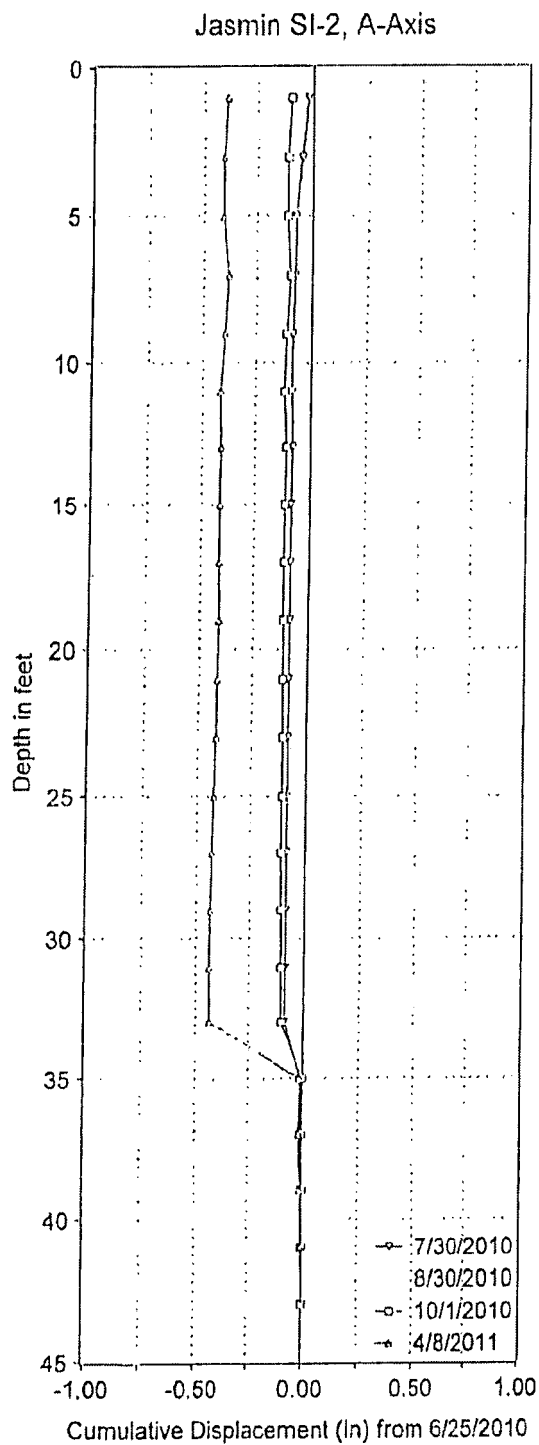
Cliffs at Keowee Falls South



Jasmine Point

Cliffs at Keowee Falls South

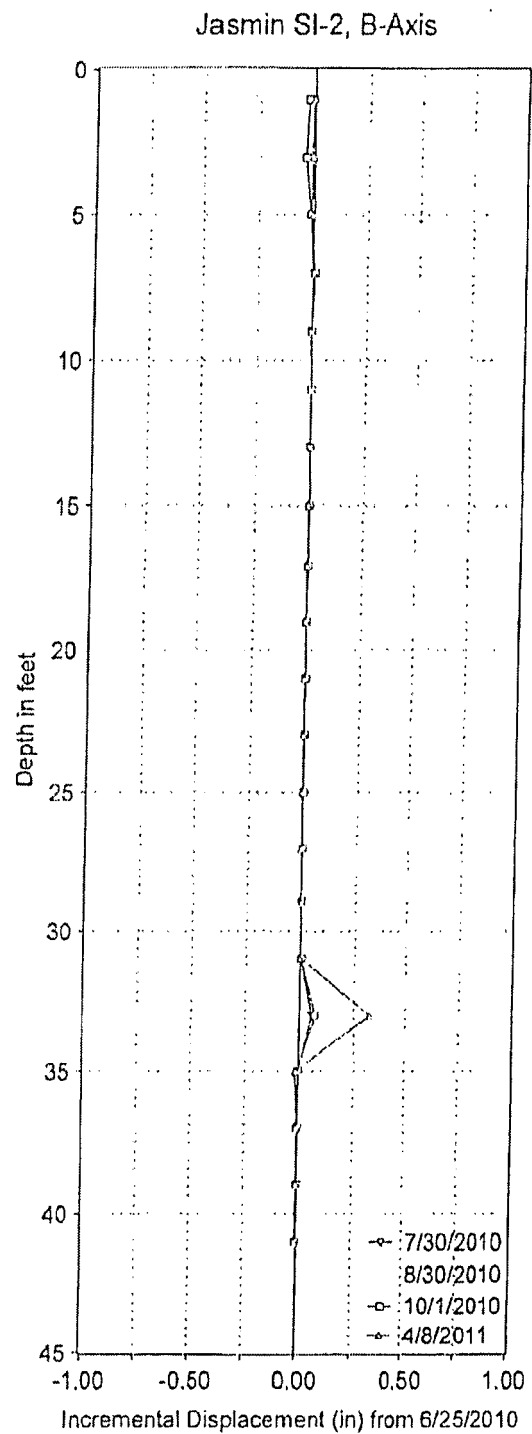
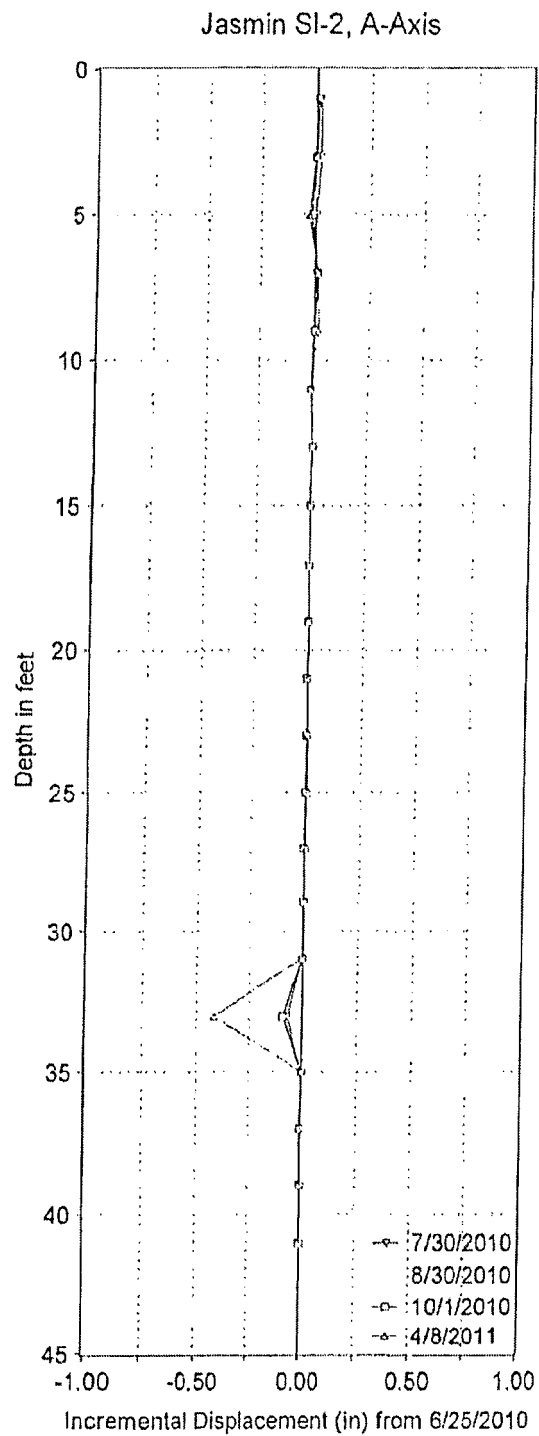
BLE Project No. J10-7112-01



Jasmine Point

BLE Project No. J10-7112-01

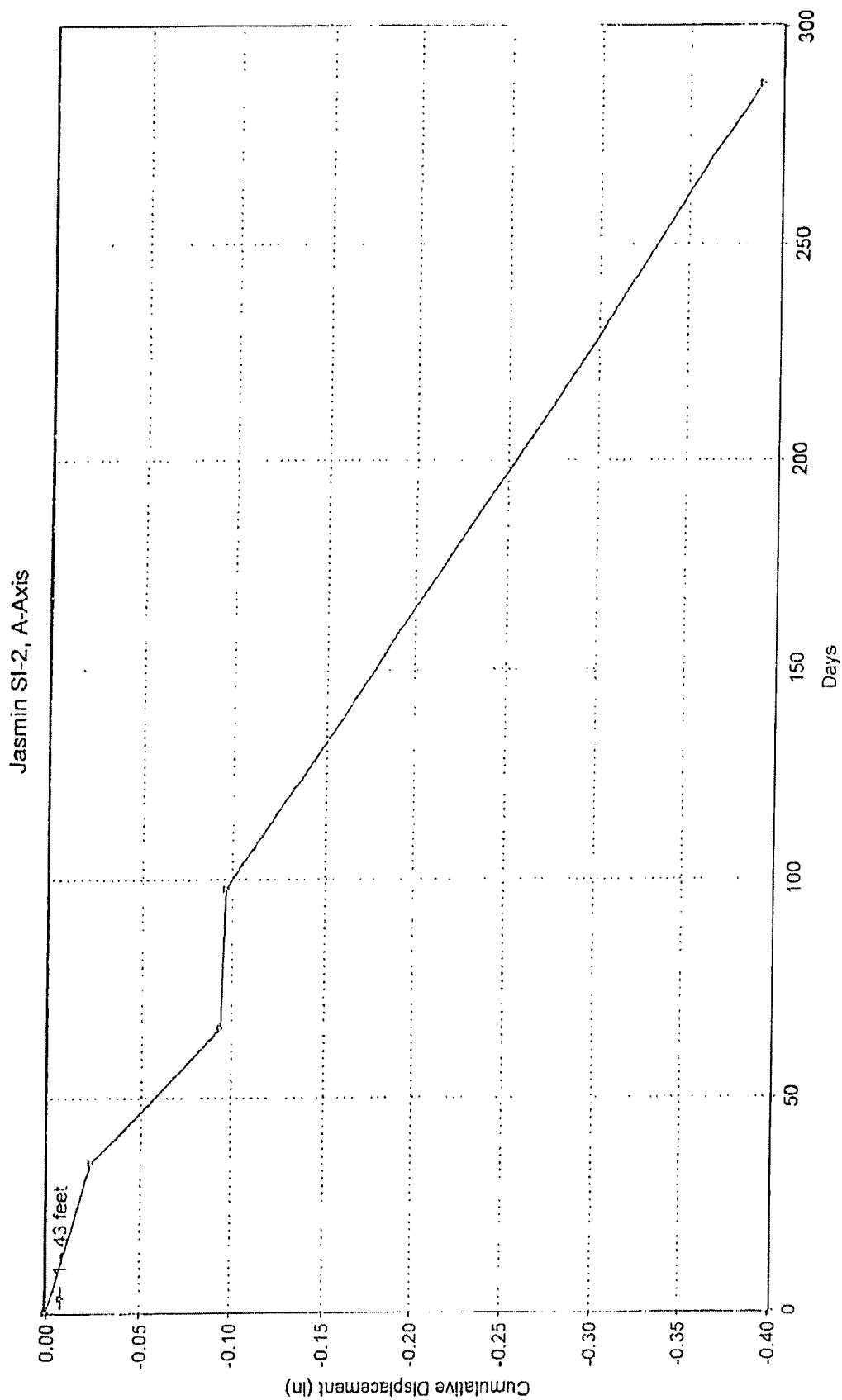
Cliffs at Keowee Falls South



Jasmine Point

BLE Project No. J10-7112-01

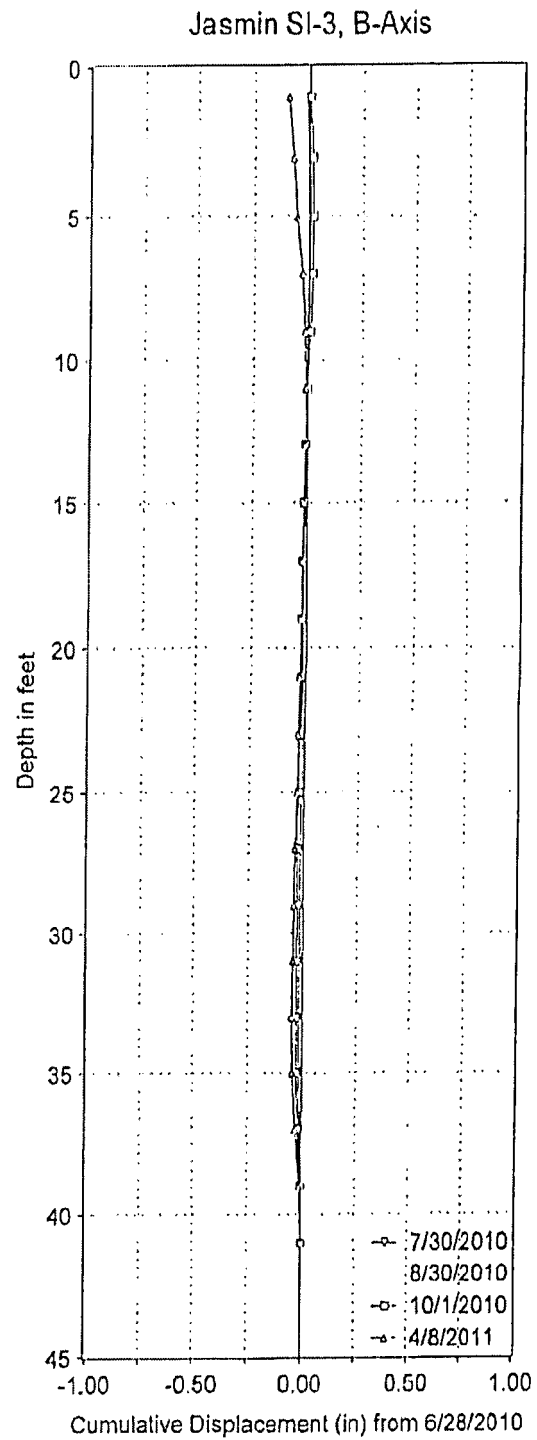
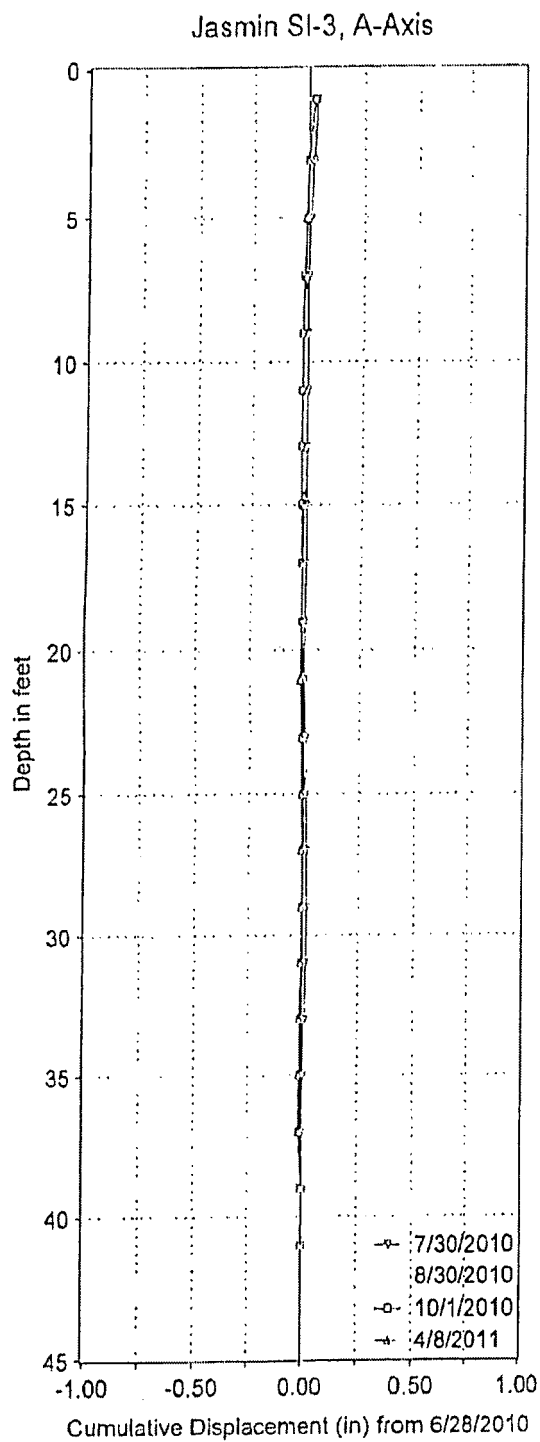
Cliffs at Keowee Falls South



Jasmine Point

Cliffs at Keowee Falls South

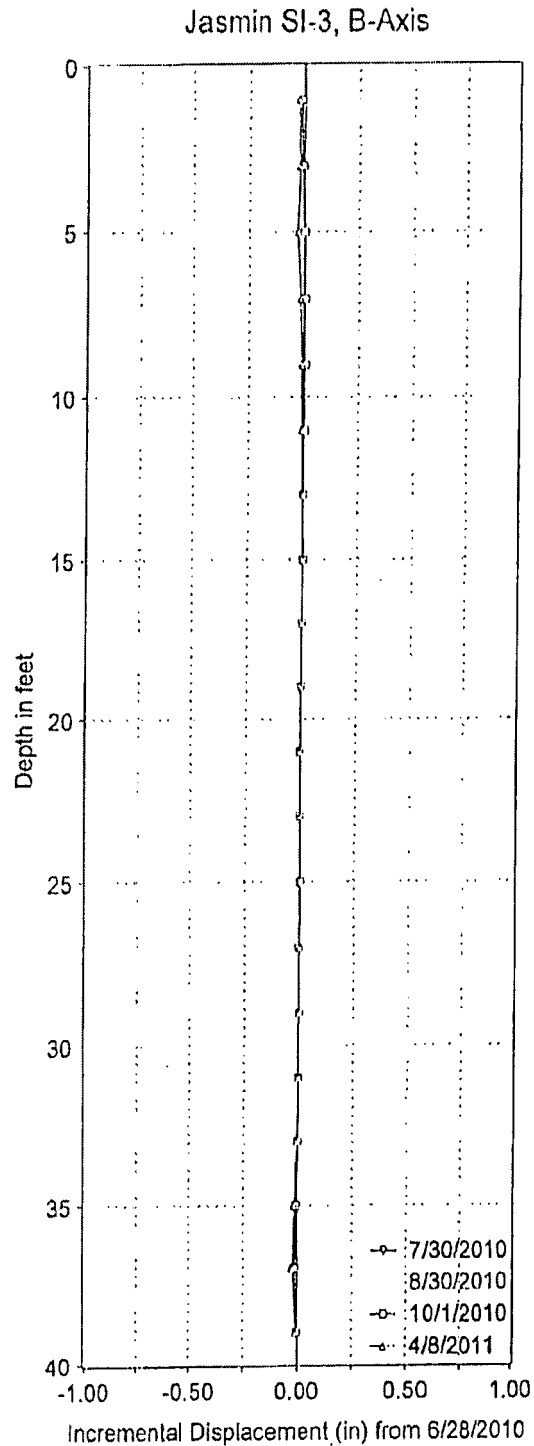
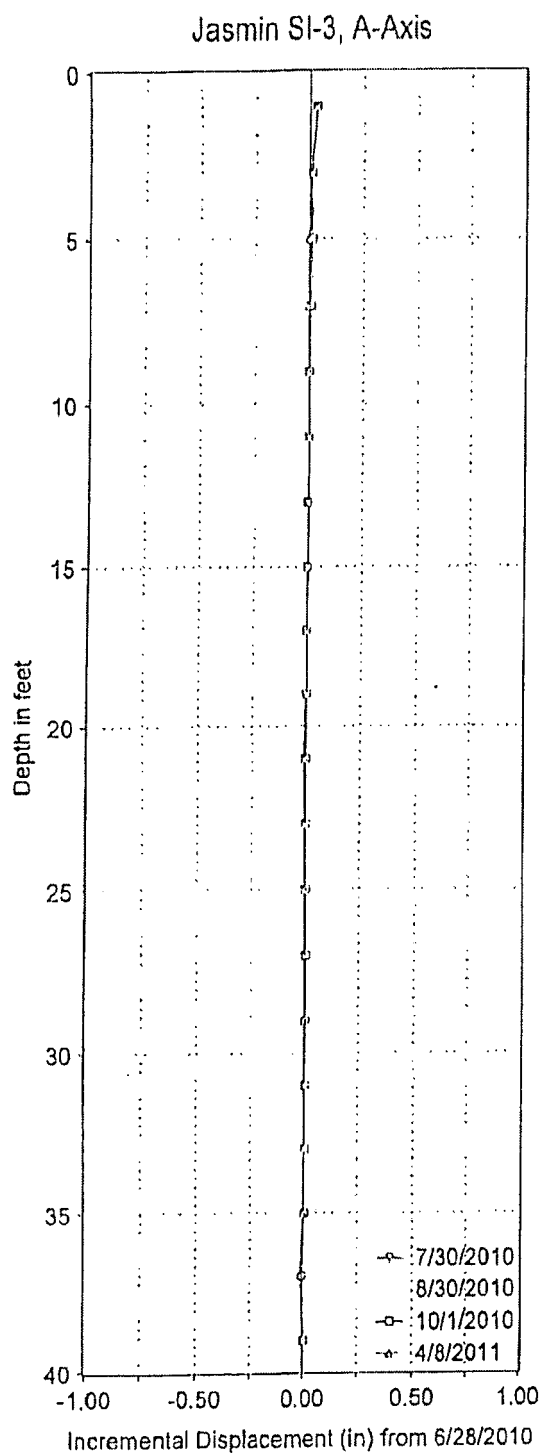
BLE Project No. J10-7112-01



Jasmine Point

BLE Project No. J10-7112-01

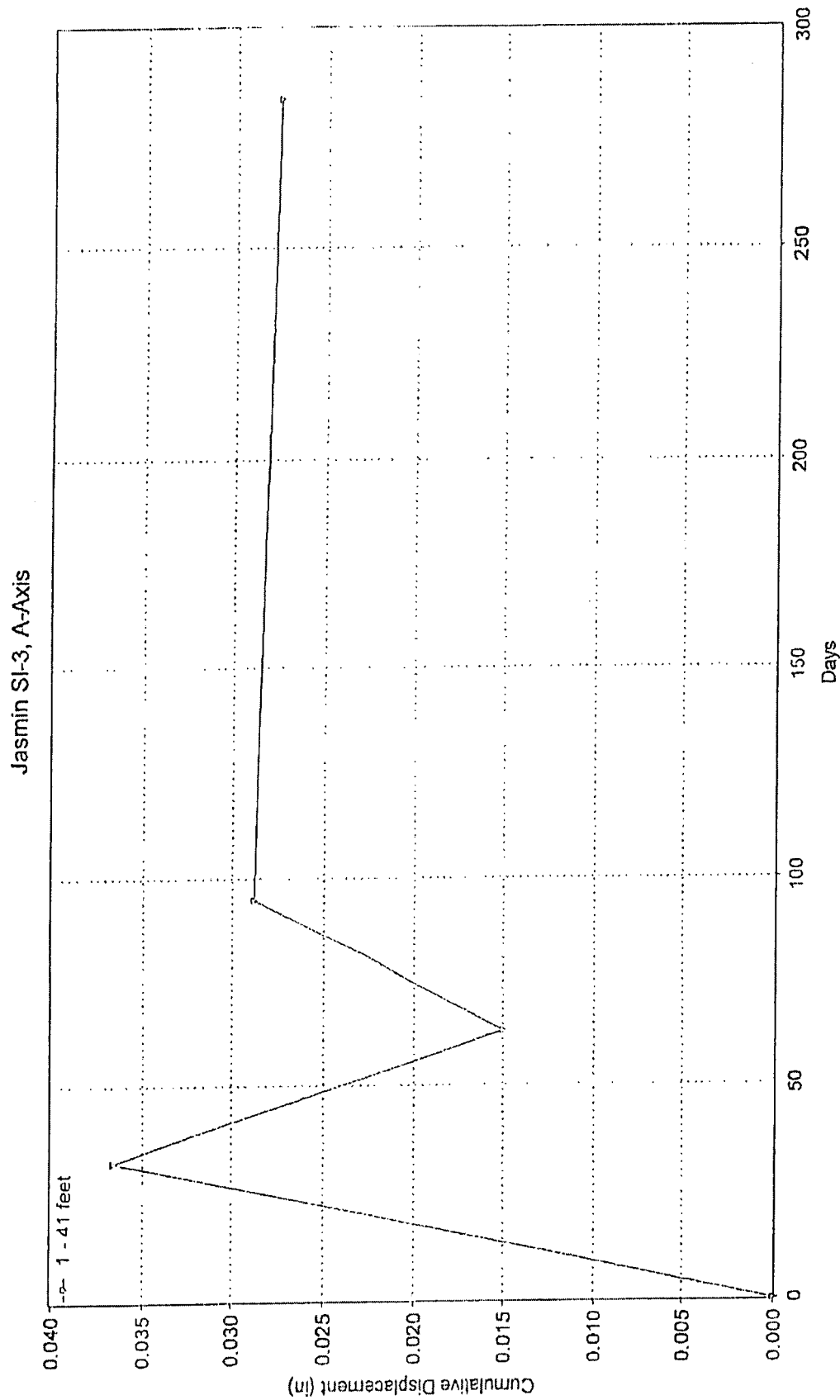
Cliffs at Keowee Falls South



Jasmine Point

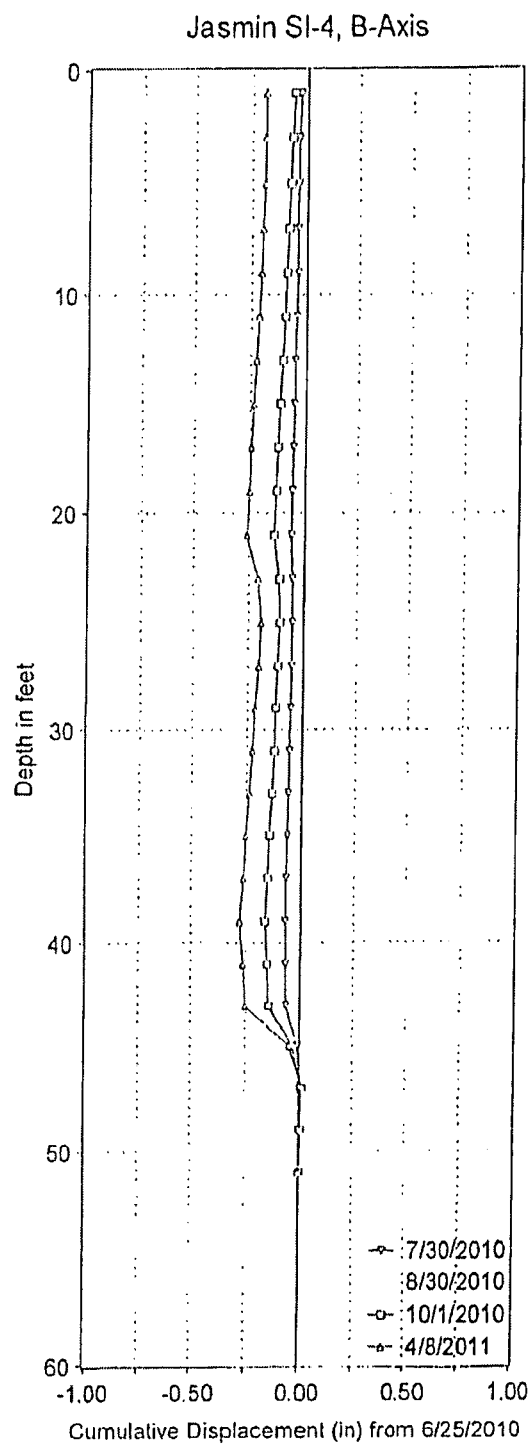
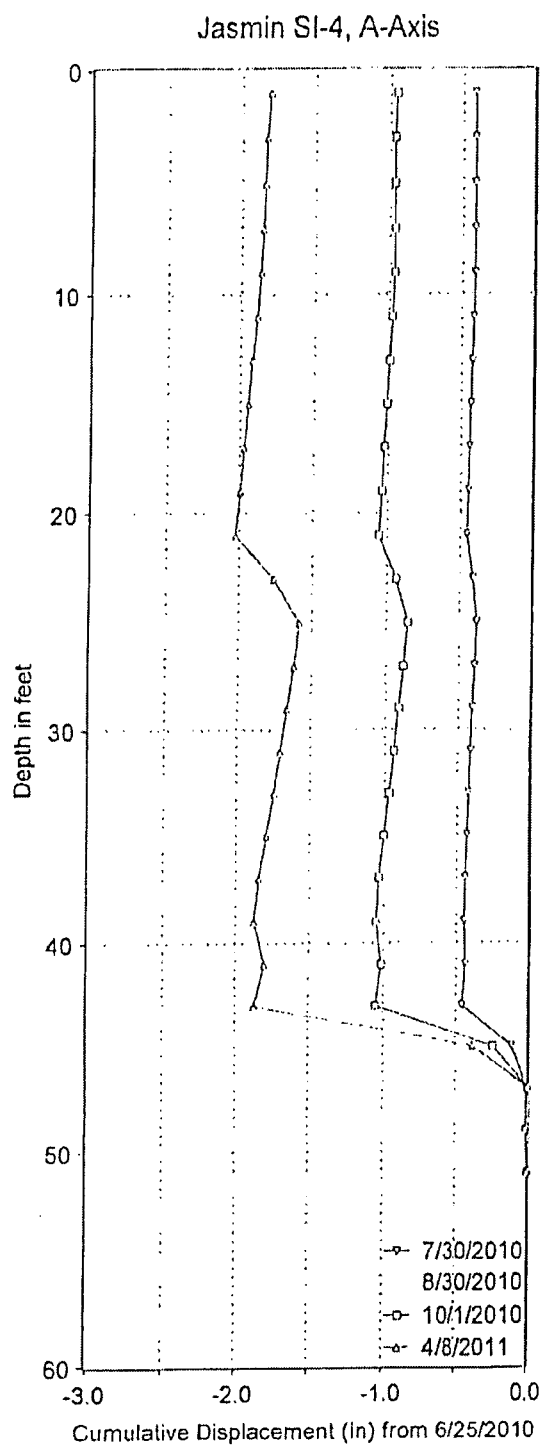
BLE Project No. J10-7112-01

Cliffs at Keowee Falls South



BLE Project No. J10-7112-01

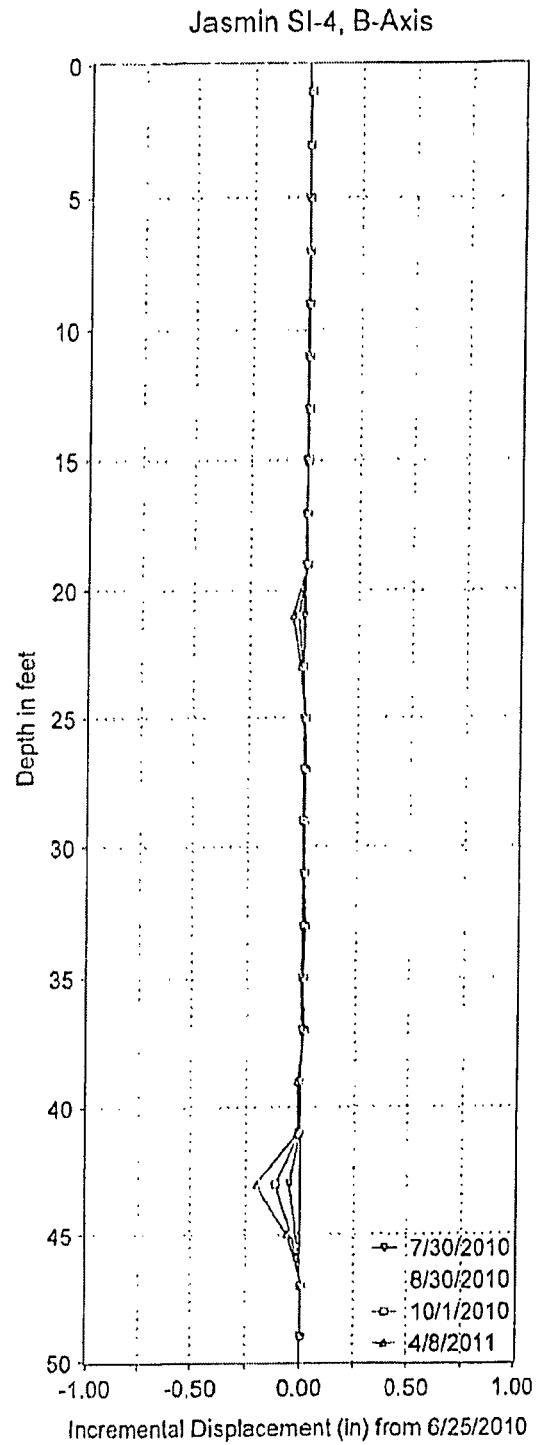
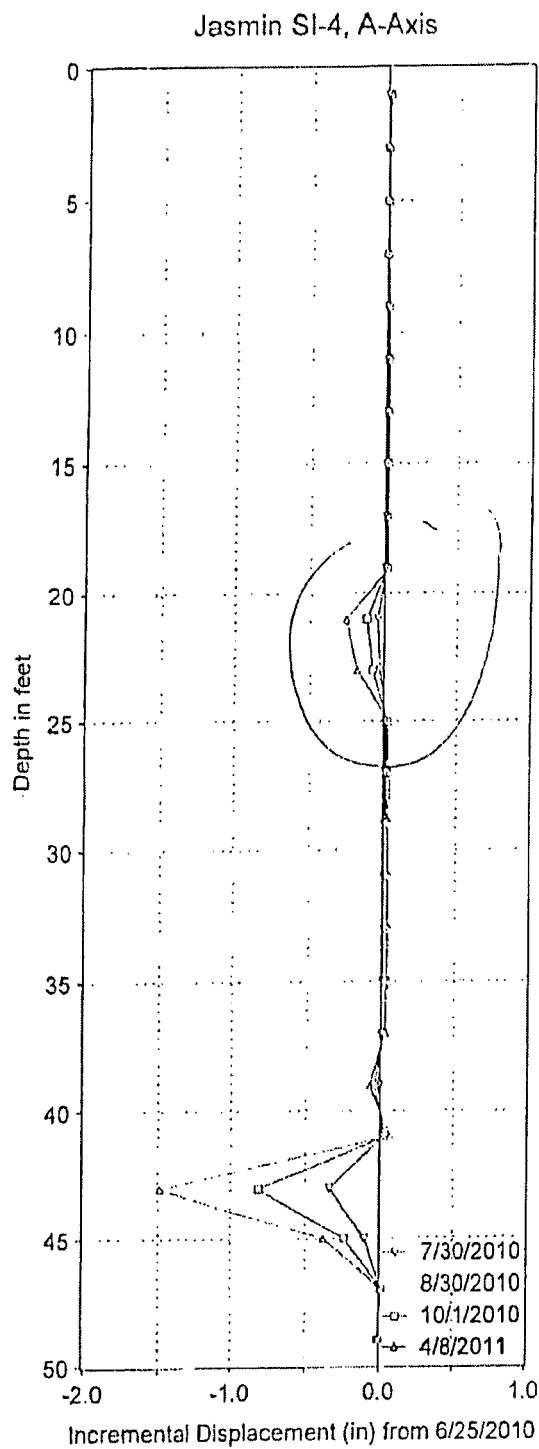
Jasmine Point
Cliffs at Keowee Falls South



Jasmine Point

BLE Project No. J10-7112-01

Cliffs at Keowee Falls South



Jasmine Point

BLE Project No. J10-7112-01

Cliffs at Keowee Falls South

I am enclosing excerpts from technical publications that should help you and your client understand the severity of these conditions. (Homeowners Guide to Landslides (FEMA))

If I can be of further service, please call.

Respectfully submitted,
WHITAKER LABORATORY, Inc.

Carroll L. Crowther, PE
SC Registered Engineer # 10666

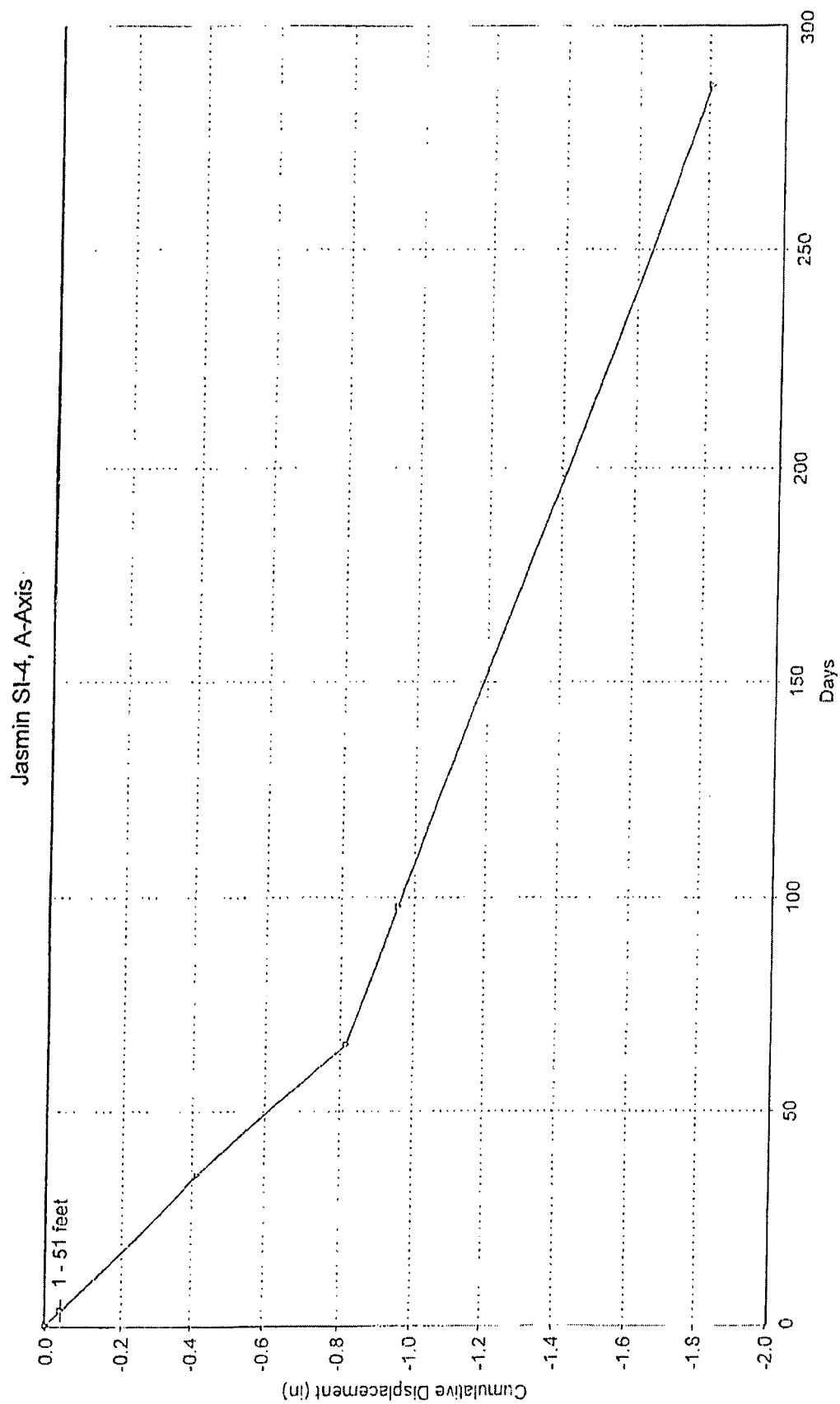
ATTACHMENTS:

Homeowners Guide to Landslides: FEMA / Portland State University

BLE. Inc. Data Report of Slope Inclinator Surveys, dated April 11, 2011

BLE. Inc. Data Report of Slope Inclinator Surveys, dated October 25, 2010

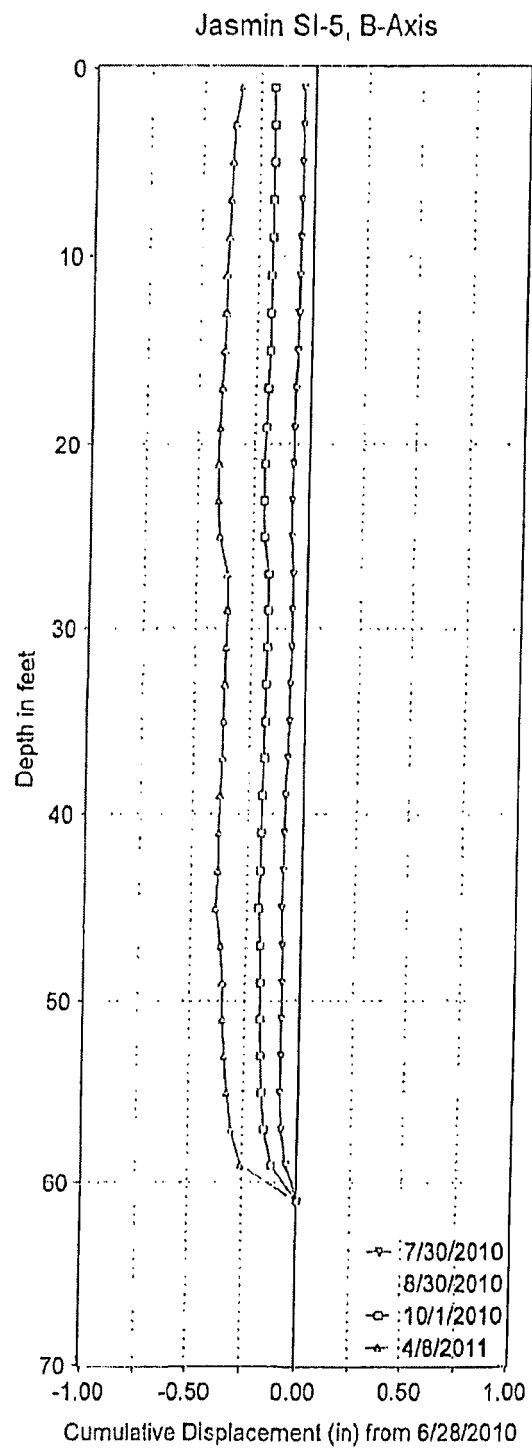
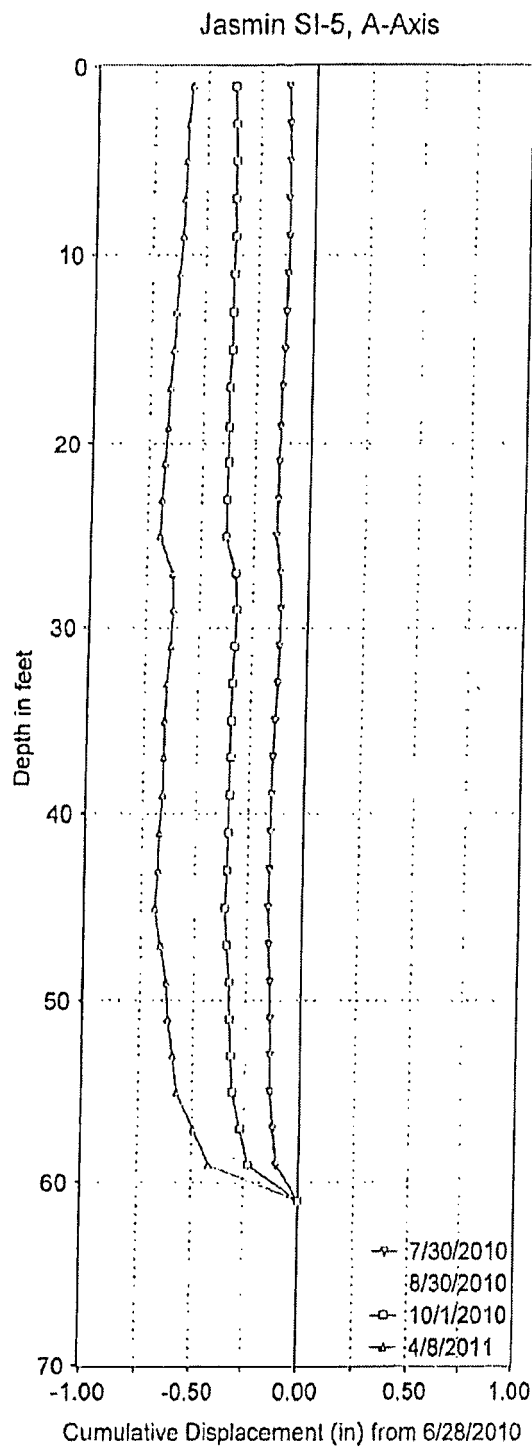
BLE. Inc. Report of Site Observations, dated March 1, 2010



Jasmine Point

Cliffs at Keowee Falls South

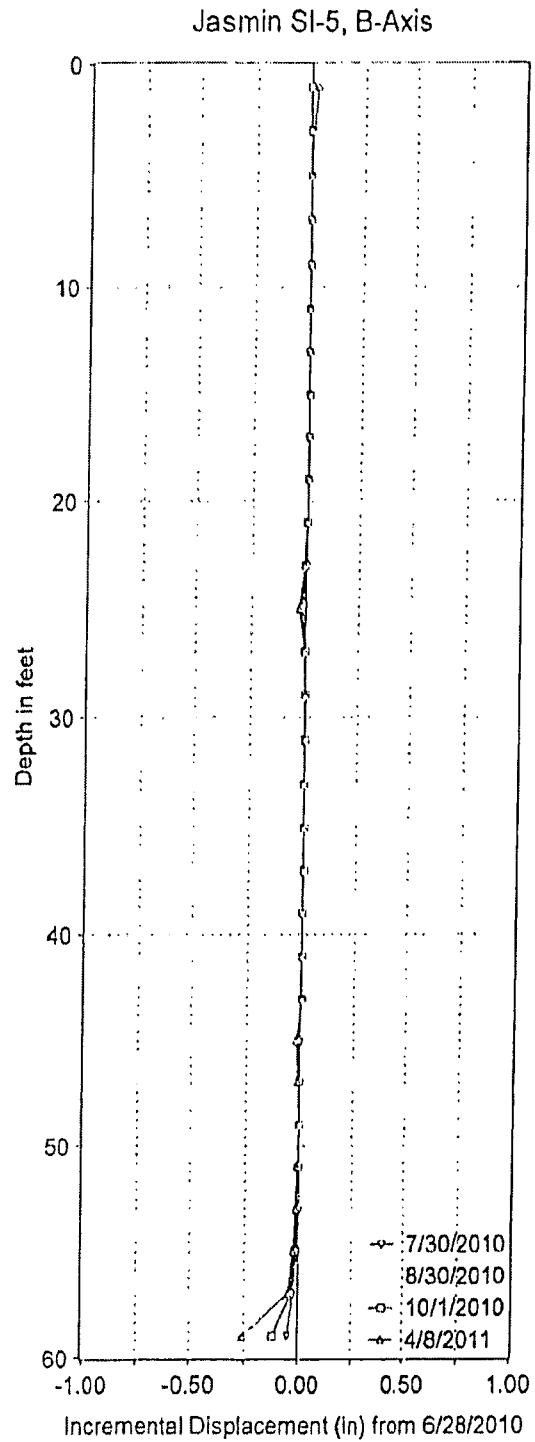
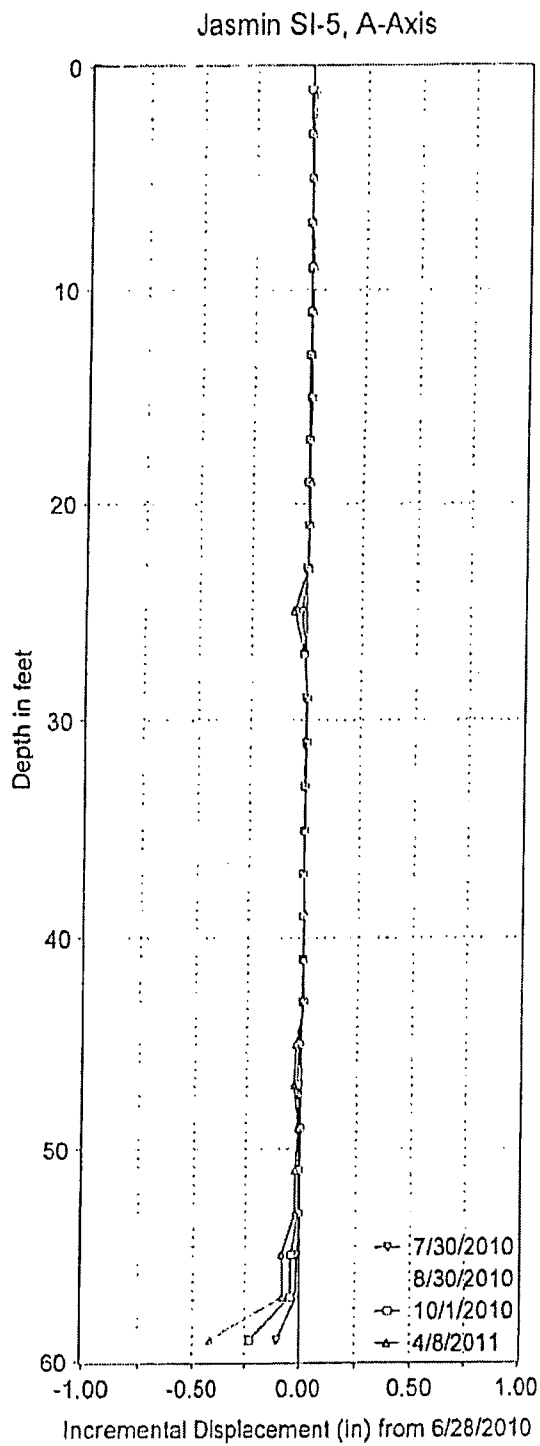
BLE Project No. J10-7112-01



Jasmine Point

BLE Project No. J10-7112-01

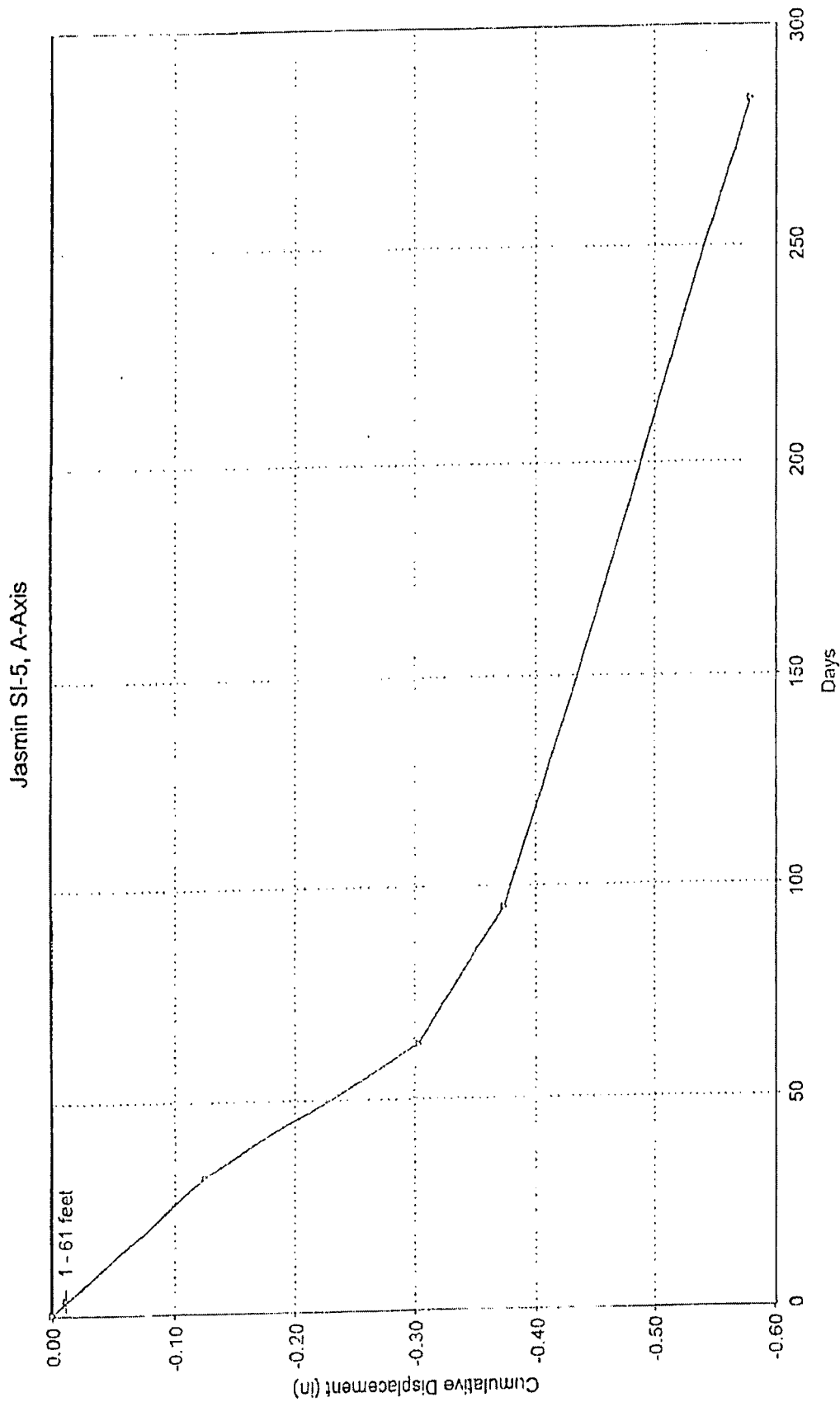
Cliffs at Keowee Falls South



Jasmine Point

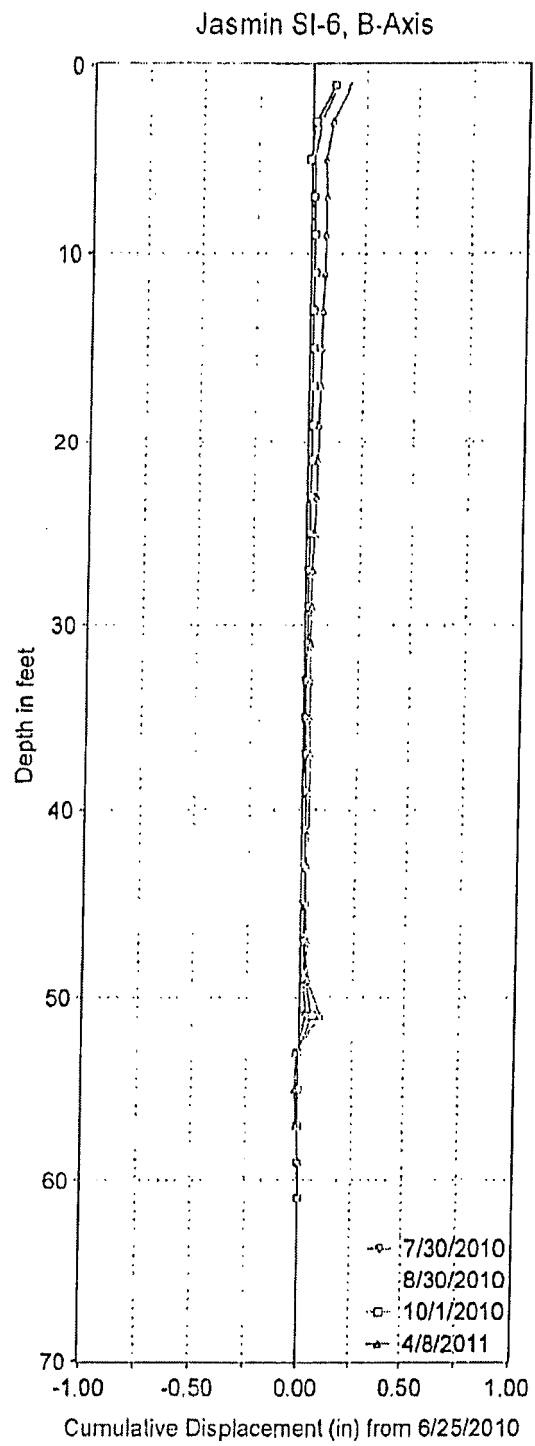
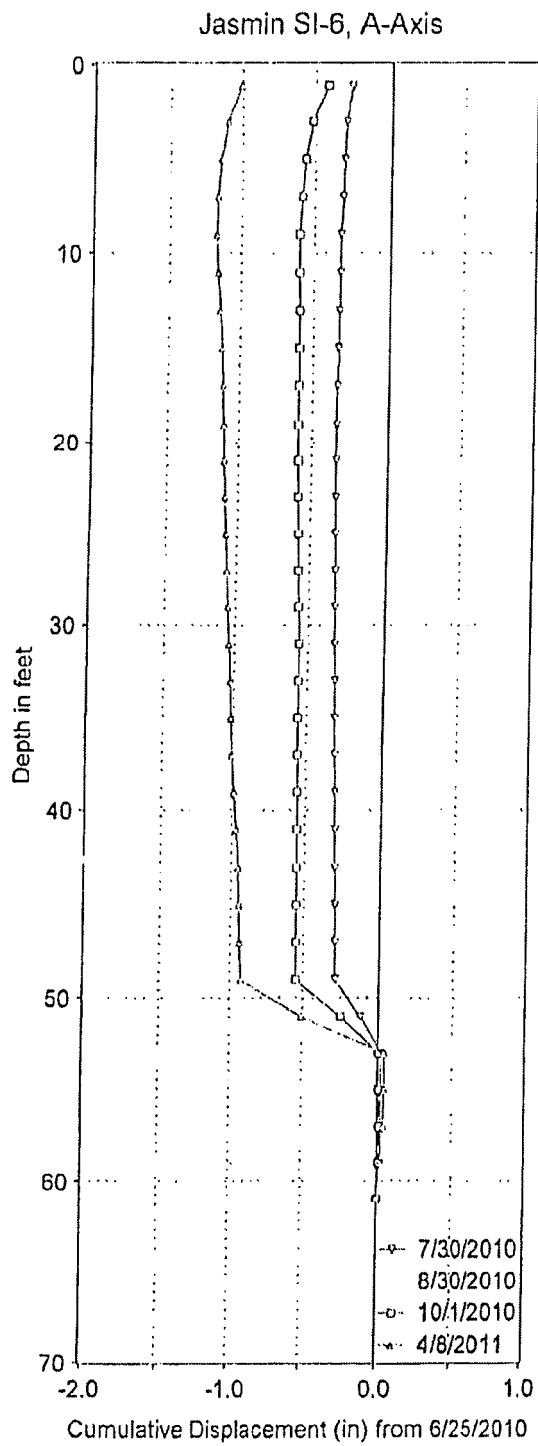
BLE Project No. J10-7112-01

Cliffs at Keowee Falls South



BLE Project No. J10-7112-01

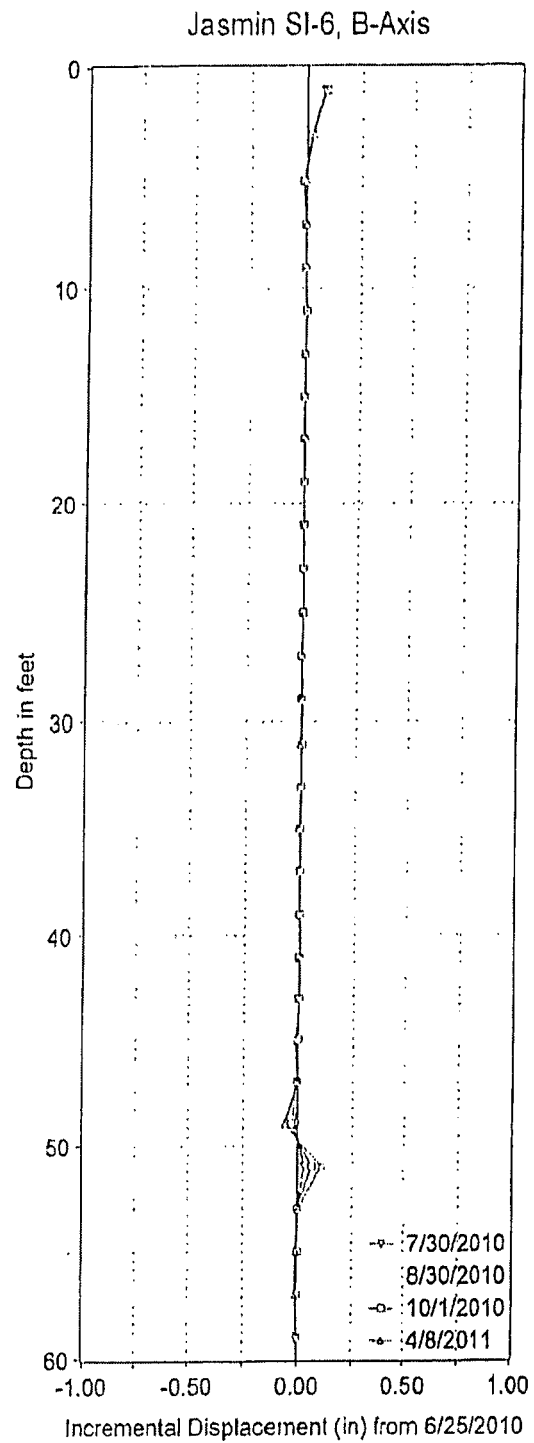
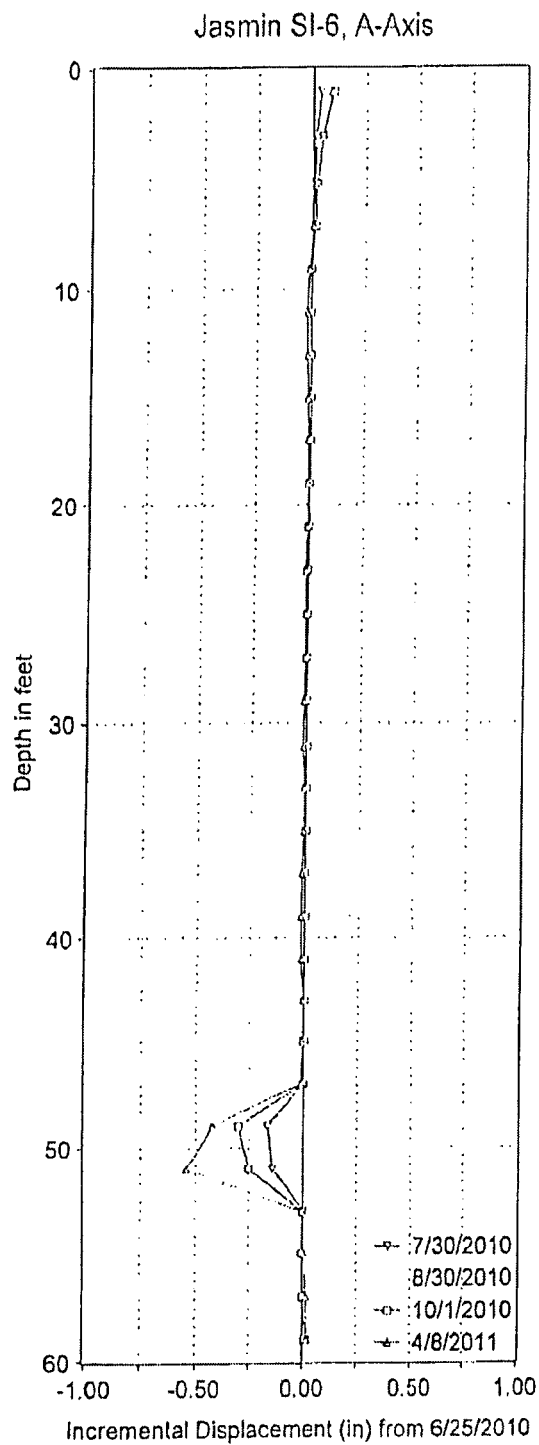
Jasmine Point
Cliffs at Keowee Falls South



Jasmine Point

BLE Project No. J10-7112-01

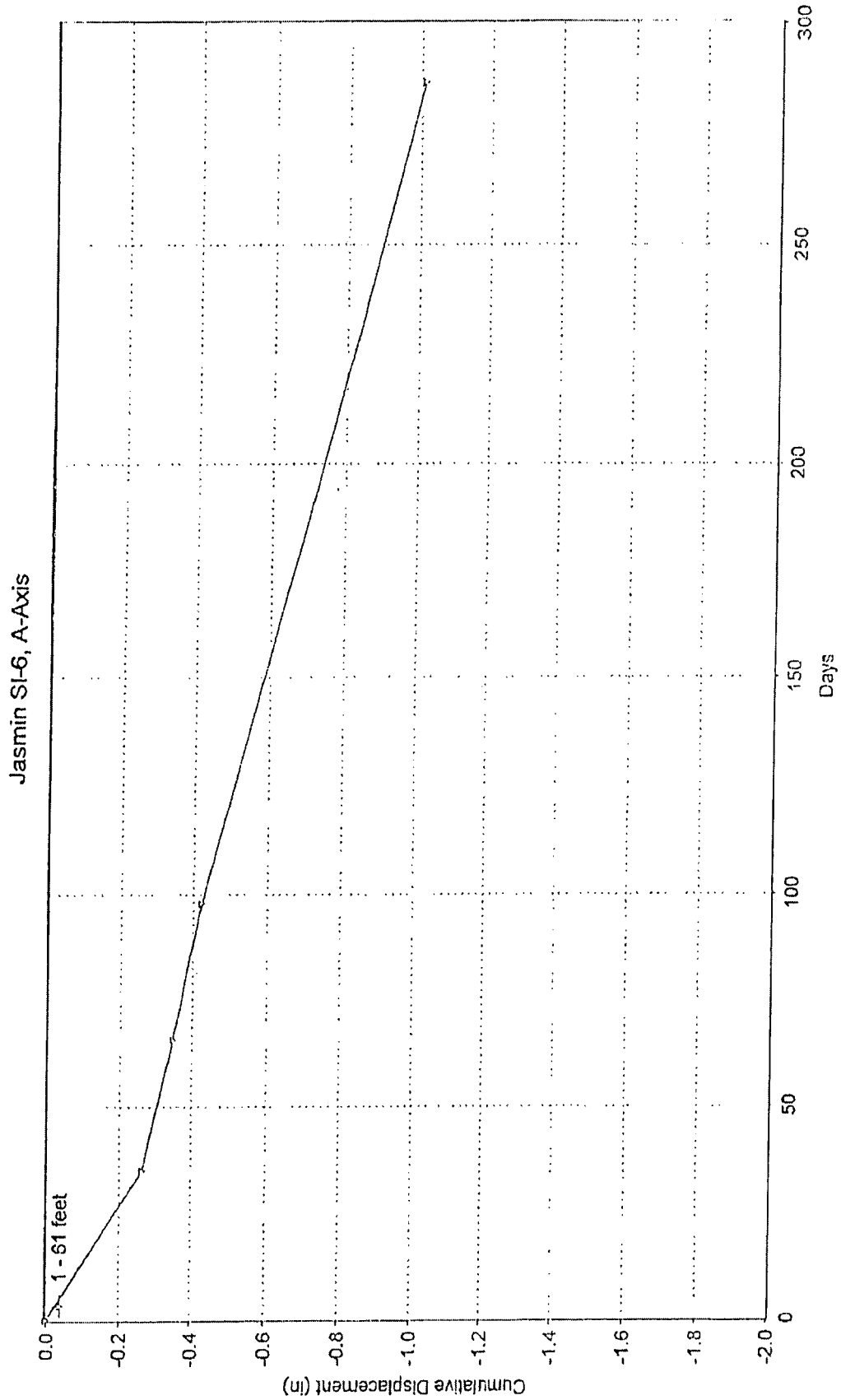
Cliffs at Keowee Falls South



Jasmine Point


BLE Project No. J10-7112-01

Cliffs at Keowee Falls South



Jasmine Point
Cliffs at Keowee Falls South

BLE Project No. J10-7112-01

		SOIL TEST BORING NO. B-1	
BUNNELL-LAMMONS ENGINEERING, INC. GEOTECHNICAL AND ENVIRONMENTAL CONSULTANTS		PROJECT: <u>Jasmine Point Cliffs at Keowee Falls South</u>	PROJECT NO.: <u>J10-7112-01</u>
		CLIENT: <u>The Cliffs</u>	START: <u>6-2-10</u> END: <u>6-3-10</u>
		LOCATION: <u>Lot 30</u>	ELEVATION: _____
		DRILLER: <u>Metro Drill, Inc., Reid and Keith</u>	LOGGED BY: <u>D. Parkins</u>
		DRILLING METHOD: <u>BK-51; 2-1/4 Inch ID hollow stem auger</u>	
DEPTH TO - WATER> INITIAL: <u>▽</u> 33.5 AFTER 24 HOURS: <u>▽</u> 28 CAVING> <u>XXX</u>			
ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	STANDARD PENETRATION RESULTS BLOWS/FOOT
2 5 10 20 30 40 50 70 90			
2	2-inches of TOPSOIL Very firm, yellowish-red with pink and white, silty, fine to coarse SAND with gravel - (residuum)	4 9 12	•
4	Very loose, yellowish-red with white, silty, fine to medium SAND	3 2 2	•
6		1 2 2	•
8	Firm, yellowish-brown, fine to medium sandy SILT	3 2 5	•
10			
12			
14		2 4 4	•
16			
18	Loose, white with gray, micaceous, silty, fine to medium SAND	3 3 5	•
20			
22			
24	Firm, white with gray, micaceous, slightly silty, fine SAND	5 7 7	•
26			
28	Loose, red with pink and gray, micaceous, silty, fine SAND	4 4 6	•
30			
32			
34	PARTIALLY WEATHERED ROCK which sampled as dark grayish-brown, micaceous, silty, fine SAND	10 50/5*	•
36	Slope inclinometer set at 37 feet		
38	Auger refusal at 37.5 feet. Groundwater encountered at 33.5 feet at time of drilling and at 28 feet after 24 hours.		
40			
42			
44			

 SOIL TEST BORING NO. B-1
 Sheet 1 of 1


**BUNNELL-LAMMONS
ENGINEERING, INC.**

 GEOTECHNICAL AND ENVIRONMENTAL
CONSULTANTS

SOIL TEST BORING NO. B-2
PROJECT: Jasmine Point Cliffs at Keowee Falls SouthPROJECT NO.: J10-7112-01CLIENT: The CliffsSTART: 6-1-10 END: 6-2-10LOCATION: Lot 30

ELEVATION: _____

DRILLER: Metro Drill, Inc., Reid and KeithLOGGED BY: D. ParkinsDRILLING METHOD: BK-51; 2-1/4 Inch ID hollow stem augerDEPTH TO - WATER> INITIAL: ▽AFTER 24 HOURS: ▽CAVING> XXX


ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	SAMPLES	STANDARD PENETRATION RESULTS BLOWS/FOOT									
				2	5	10	20	30	40	50	70	90	
	3-Inches of TOPSOIL												
2	Loose, yellowish-red with gray, micaceous, silty, fine to coarse SAND with some small roots - (residuum)		3 4										
4	Loose, yellowish-red with gray and white, micaceous, silty, fine SAND		2 3 3										
6	PARTIALLY WEATHERED ROCK which sampled as gray, fine to coarse SAND		7 50/5.5										
8	Loose, white with light gray, slightly silty, fine to medium SAND		3 4 5										
10													
12													
14	Stiff, yellowish-red with gray and black, micaceous, fine sandy SILT		5 5 5										
16													
18													
20	Firm, yellowish-red with gray and white, micaceous, silty, fine SAND with gravel		3 4 7										
22													
24	Very firm, gray with brown, silty, fine SAND		5 9 12										
26													
28													
30	Dense, white with gray, silty, fine to medium SAND		5 15 30										
32													
34	Very firm, yellowish-red with gray, silty, fine to medium SAND		10 10 12										
36													
38													
40	Very dense, white with pink and gray, micaceous, slightly silty, fine to coarse SAND		16 18 40										
42													
44	Auger refusal at 43 feet. No groundwater encountered at time of drilling. Slope inclinometer set at 42.5 feet.												

 SOIL TEST BORING NO. B-2
Sheet 1 of 1

IBLE INC. BUNNELL-LAMMONS ENGINEERING, INC. GEOTECHNICAL AND ENVIRONMENTAL CONSULTANTS		SOIL TEST BORING NO. B-3 PROJECT: <u>Jasmine Point Cliffs at Keowee Falls South</u> CLIENT: <u>The Cliffs</u> LOCATION: <u>Lot 31</u> DRILLER: <u>Metro Drill, Inc., Reid and Kelth</u> DRILLING METHOD: <u>BK-51; 2-1/4 inch ID hollow stem auger</u> DEPTH TO - WATER> INITIAL: <u>30.5</u> AFTER 24 HOURS: <u>30.5</u> CAVING> <u>XXXX</u>				PROJECT NO.: <u>J10-7112-01</u> START: <u>6-8-10</u> END: <u>6-8-10</u> ELEVATION: _____ LOGGED BY: <u>D. Parkins</u>							
ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	SAMPLES	STANDARD PENETRATION RESULTS BLOWS/FOOT									
				2	5	10	20	30	40	50	70	90	
	2-Inches of TOPSOIL												
2	Loose, yellowish-red, micaceous, silty, fine to medium SAND - (fill)			2									
3				3									
4	Loose, yellowish-red with gray, silty, fine to coarse SAND - (fill)			3									
5				3									
6	Loose to firm, yellowish-brown with white, micaceous, silty, fine to medium SAND - (residuum)			2									
7				2									
8				3									
9				3									
10				2									
11				3									
12				2									
13				3									
14				3									
15				2									
16				3									
17				2									
18				3									
19				2									
20				3									
21				2									
22				3									
23				2									
24				3									
25				2									
26				3									
27				2									
28				3									
29				2									
30				3									
31				2									
32				3									
33				2									
34				3									
35				2									
36				3									
37				2									
38				3									
39				2									
40	Firm, yellowish-red with gray and white, very micaceous, fine sandy SILT with some gravel			8									
41				5									
42	Boring terminated at 40 feet. Groundwater encountered at 38.5 feet at time of drilling. Slope inclinometer set at 39 feet.			10									
43													
44													

GEOT. NOVELL 71. 3PJ 3/10


 SOIL TEST BORING NO. B-3
 Sheet 1 of 1

		SOIL TEST BORING NO. B-4			
BUNNELL-LAMMONS ENGINEERING, INC. GEOTECHNICAL AND ENVIRONMENTAL CONSULTANTS		PROJECT: <u>Jasmine Point Cliffs at Keowee Falls South</u> CLIENT: <u>The Cliffs</u> LOCATION: <u>Lot 31</u> DRILLER: <u>Metro Drill, Inc., Reid and Keith</u> DRILLING METHOD: <u>BK-51; 2-1/4 Inch ID hollow stem auger</u> DEPTH TO - WATER> INITIAL: <u>▽</u> AFTER 24 HOURS: <u>▽</u> CAVING> <u>XXX</u>		PROJECT NO.: <u>J10-7112-01</u> START: <u>5-27-10</u> END: <u>5-27-10</u> ELEVATION: _____ LOGGED BY: <u>D. Parkins</u>	

ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	SAMPLES	STANDARD PENETRATION RESULTS BLOWS/FOOT
				2 5 10 20 30 40 50 70 80
2	Stiff, red, fine to medium sandy SILT - (fill)		4	
4	Firm, red with gray, silty, fine to medium SAND with gravel - (fill)		8	
6	Firm, red with yellowish-brown, micaceous, silty, fine to medium SAND - (fill)		9	
8	Stiff, red, fine to medium sandy SILT - (fill)		2	
10			4	
12			5	
14	Loose, yellowish-red with gray, silty, fine to medium SAND - (residuum)		2	
16			2	
18			5	
20			2	
22			3	
24	Loose, gray, micaceous, slightly silty, fine to medium SAND		2	
26			3	
28			5	
30	Loose, gray with white, micaceous, slightly silty, fine SAND		4	
32			3	
34	Firm, reddish-brown with gray and white, micaceous, silty, fine to coarse SAND		4	
36			7	
38			4	
40			4	
42			7	
44	Firm, white with gray and brown, micaceous, silty, fine to coarse SAND with gravel		4	
			7	

GEOT. NOWELL 7: 32J 9/24/10

SOIL TEST BORING NO. B-4
 Sheet 1 of 2

		SOIL TEST BORING NO. B-4	
BUNNELL-LAMMONS ENGINEERING, INC. GEOTECHNICAL AND ENVIRONMENTAL CONSULTANTS		PROJECT: <u>Jasmine Point Cliffs at Keowee Falls South</u> CLIENT: <u>The Cliffs</u> LOCATION: <u>Lot 31</u> DRILLER: <u>Metro Drill, Inc., Rold and Keith</u> DRILLING METHOD: <u>BK-51; 2-1/4 inch ID hollow stem auger</u> DEPTH TO - WATER> INITIAL: <u>▽</u> AFTER 24 HOURS: <u>▽</u> CAVING> <u>XXX</u>	
PROJECT NO.: <u>J10-7112-01</u> START: <u>5-27-10</u> END: <u>5-27-10</u> ELEVATION: _____ LOGGED BY: <u>D. Parkins</u>			

ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	SAMPLES	STANDARD PENETRATION RESULTS BLOWS/FOOT
				2 5 10 20 30 40 50 70 90
40	Firm, white with gray and brown, micaceous, silty, fine to coarse SAND with gravel		12	
48				
50	PARTIALLY WEATHERED ROCK - no return	X	4 7 60/0"	
52	Boring terminated at 50 feet. No groundwater encountered at time of drilling. Slope inclinometers set at 49 feet.			
54				
56				
58				
60				
62				
64				
66				
68				
70				
72				
74				
76				
78				
80				
82				
84				
86				
88				

GEOT. NOVELL 7 GPJ 9/2/10

SOIL TEST BORING NO. B-4
 Sheet 2 of 2

IBLE INC.**BUNNELL-LAMMONS
ENGINEERING, INC.**GEOTECHNICAL AND ENVIRONMENTAL
CONSULTANTS**SOIL TEST BORING NO. B-5**PROJECT: Jasmine Point Cliffs at Keowee Falls SouthPROJECT NO.: J10-7112-01CLIENT: The CliffsSTART: 6-7-10 END: 6-7-10LOCATION: Lot 32

ELEVATION: _____

DRILLER: Metro Drill, Inc., Reld and KeithLOGGED BY: D. ParkinsDRILLING METHOD: BK-51; 2-1/4 Inch ID hollow stem augerDEPTH TO - WATER> INITIAL: 53.5AFTER 24 HOURS: 53.5CAVING> XXX

ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	SAMPLES	STANDARD PENETRATION RESULTS BLOWS/FOOT									
				2	5	10	20	30	40	50	70	90	
2	Firm, yellowish-red, fine to medium sandy SILT - (residuum)		4										
4	Firm, yellowish-red with gray, silty, fine to medium SAND		4										
6	PARTIALLY WEATHERED ROCK - no recovery		5										
8			7										
10	Firm, yellowish-red with white and gray, fine to coarse sandy SILT with gravel		50/1"										60/1"
12			3										
14	Loose, reddish-yellow with white and gray, micaceous, silty, fine to coarse SAND		3										
16			4										
18			3										
20			4										
22			4										
24	Loose to very firm, yellowish-brown with white and gray, micaceous, silty, fine to medium SAND		5										
26			4										
28			3										
30			5										
32			4										
34			3										
36			5										
38			4										
40	Firm, yellowish-brown with white and gray, micaceous, silty, fine to medium SAND with gravel		8										
42			11										
44	Firm, grayish-brown with white and gray, micaceous, silty, fine to medium SAND		13										
			8										
			9										
			10										
			5										
			8										
			9										
			6										
			7										

SOIL TEST BORING NO. B-5

Sheet 1 of 2


**BUNNELL-LAMMONS
ENGINEERING, INC.**

 GEOTECHNICAL AND ENVIRONMENTAL
CONSULTANTS

SOIL TEST BORING NO. B-5

PROJECT: Jasmine Point Cliffs at Keowee Falls South

PROJECT NO.: J10-7112-01

CLIENT: The Cliffs

START: 6-7-10 END: 6-7-10

LOCATION: Lot 32

ELEVATION:

DRILLER: Metro Drill, Inc., Reid and Keith

LOGGED BY: D. Perkins


DRILLING METHOD: BK-51; 2-1/4 inch ID hollow stem auger

DEPTH TO - WATER> INITIAL: ∇ 53.5 AFTER 24 HOURS: ∇ CAVING: \otimes

ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	SAMPLES	STANDARD PENETRATION RESULTS BLOWS/FOOT									
				2	5	10	20	30	40	50	70	90	
48	Firm, grayish-brown with white and gray, micaceous, silty, fine to medium SAND												
48													
50	Very firm, grayish-brown with white and gray, very micaceous, silty, fine to medium SAND with some gravel												
52													
54	Firm to dense, yellowish-red with white, gray and yellowish-brown, very micaceous, silty, fine to medium SAND												
56													
58													
60													
62													
64	PARTIALLY WEATHERED ROCK which sampled as yellowish-brown with gray, micaceous, silty, fine to coarse SAND												
66													
68	Auger refusal at 66 feet. Groundwater encountered at 53.5 feet at time of drilling. Slope inclinometer set at 59 feet due to hole caving. Boring offset 5 feet.												
70													
72													
74													
76													
78													
80													
82													
84													
86													
88													

SOIL TEST BORING NO. B-5

Sheet 2 of 2

		SOIL TEST BORING NO. B-6	
BUNNELL-LAMMONS ENGINEERING, INC. GEOTECHNICAL AND ENVIRONMENTAL CONSULTANTS		PROJECT: <u>Jasmine Point Cliffs at Keowee Falls South</u>	PROJECT NO.: <u>J10-7112-01</u>
		CLIENT: <u>The Cliffs</u>	START: <u>6-3-10</u> END: <u>6-3-10</u>
		LOCATION: <u>Lot 32</u>	ELEVATION: _____
		DRILLER: <u>Metro Drill, Inc., Reid and Keith</u>	LOGGED BY: <u>D. Parkins</u>
		DRILLING METHOD: <u>BK-51; 2-1/4 Inch ID hollow stem auger</u>	
		DEPTH TO - WATER> INITIAL: <u>▽</u> 33.5 AFTER 24 HOURS: <u>▽</u> 33.5 CAVING> <u>XXX</u>	
ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	STANDARD PENETRATION RESULTS BLOWS/FOOT
			2 5 10 20 30 40 60 70 80
2	Firm, red, micaceous, fine to medium sandy SILT - (fill)	3	
4	Loose, yellowish-red, silty, fine to medium SAND - (fill)	2	
6		3	
8	Firm, yellowish-red, fine to medium sandy SILT with tiny roots - (residuum)	2	
10		3	
12		3	
14	Loose, white with gray, fine to coarse SAND	3	
16		4	
18	Loose, white with pink and light brown, fine to coarse SAND	3	
20		3	
22		5	
24	Firm, yellowish-brown with white, very micaceous, silty, fine to coarse SAND	4	
26		6	
28		7	
30		5	
32		7	
34	Loose, brown with gray, very micaceous, silty, fine SAND	3	
36		4	
38		6	
40	Firm, grayish-brown, very micaceous, silty, fine to medium SAND	4	
42		5	
44		7	

 SOIL TEST BORING NO. B-6
 Sheet 1 of 2

IBLE INC.**BUNNELL-LAMMONS
ENGINEERING, INC.**GEOTECHNICAL AND ENVIRONMENTAL
CONSULTANTS**SOIL TEST BORING NO. B-6**PROJECT: Jasmine Point Cliffs at Keowee Falls SouthPROJECT NO.: J10-7112-01CLIENT: The CliffsSTART: 6-3-10 END: 6-3-10LOCATION: Lot 32

ELEVATION: _____

DRILLER: Metro Drill, Inc., Reld and KeithLOGGED BY: D. ParkinsDRILLING METHOD: BK-51; 2-1/4 inch ID hollow stem augerDEPTH TO - WATER> INITIAL: 33.5 AFTER 24 HOURS: 33.5 CAVING> XXXX

ELEVATION/ DEPTH (FT)	SOIL DESCRIPTION	SOIL TYPE	SAMPLES	STANDARD PENETRATION RESULTS BLOWS/FOOT									
				2	5	10	20	30	40	50	70	90	
46	Firm, grayish-brown, very micaceous, silty, fine to medium SAND												
48													
50	Dense, white with yellow and gray, micaceous, silty, fine to coarse SAND with gravel												
52													
54	PARTIALLY WEATHERED ROCK which sampled as gray with pink, silty, fine to medium SAND												
56													
58													
60	Auger refusal at 59 feet. Groundwater encountered at 33.5 feet at time of drilling and at 33.5 feet after 24 hours. Slope inclinometer set at 59 feet.												
62													
64													
66													
68													
70													
72													
74													
76													
78													
80													
82													
84													
86													
88													

SOIL TEST BORING NO. B-6
Sheet 2 of 2

KEY TO SOIL CLASSIFICATIONS AND CONSISTENCY DESCRIPTIONSBUNNELL-LAMMONS ENGINEERING, INC.
GREENVILLE, SOUTH CAROLINA**Penetration Resistance***
Blows per Foot**SANDS**0 to 4
5 to 10
11 to 20
21 to 30
31 to 50
over 50**Relative**
DensityVery Loose
Loose
Firm
Very Firm
Dense
Very Dense**Particle Size Identification**

Boulder: Greater than 300 mm

Cobble: 75 to 300 mm

Gravel:

Coarse - 19 to 75 mm

Fine - 4.75 to 19 mm

Sand:

Coarse - 2 to 4.75 mm

Medium - 0.425 to 2 mm

Fine - 0.075 to 0.425 mm

Silt & Clay: Less than 0.075 mm

Penetration Resistance*
Blows per Foot**SILTS and CLAYS**0 to 2
3 to 4
5 to 8
9 to 15
16 to 30
31 to 50
over 50**Consistency**Very Soft
Soft
Firm
Stiff
Very Stiff
Hard
Very Hard

*ASTM D 1586

KEY TO DRILLING SYMBOLS

Grab Sample



Split Spoon Sample



Undisturbed Sample

NR = No reaction to HCL

NA = Not applicable

NS = No sample



Groundwater Table at Time of Drilling



Groundwater Table 24 Hours after Completion of Drilling

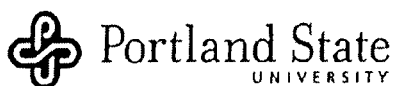
KEY TO SOIL CLASSIFICATIONSWell-graded Gravel
GWLow Plasticity Clay
CLClayey Silt
MHSilty Sand
SMPoorly-graded Gravel
GPSandy Clay
CLSSandy Silt
MLSTopsoil
TOPSOILPartially Weathered Rock
BLDRCBBLSilty Clay
CL-MLSand
SWTrash
MUCKPEATHigh Plasticity Clay
CHSilt
MLClayey Sand
SCFill
FILLPoorly Graded Sand
SPBedrock
BEDROCKLimestone
LIMESTONE



HOMEOWNER'S GUIDE to LANDSLIDES

**RECOGNITION, PREVENTION, CONTROL,
and MITIGATION**

Compiled by
Dr. Scott F. Burns
Tessa M. Harden
Carin J. Andrew



Federal Emergency
Management Agency
Region 10





If you are in immediate danger:

- EVACUATE IMMEDIATELY
- Inform your neighbors
- Call the police or fire department
- Call a registered engineering geologist or a geotechnical engineer

Warning signs include:

- House is making noises
- Walls and floors are tilting
- Cracks in house are actively opening
- Cracks in ground are appearing
- Water in drainages becomes irregular or stops

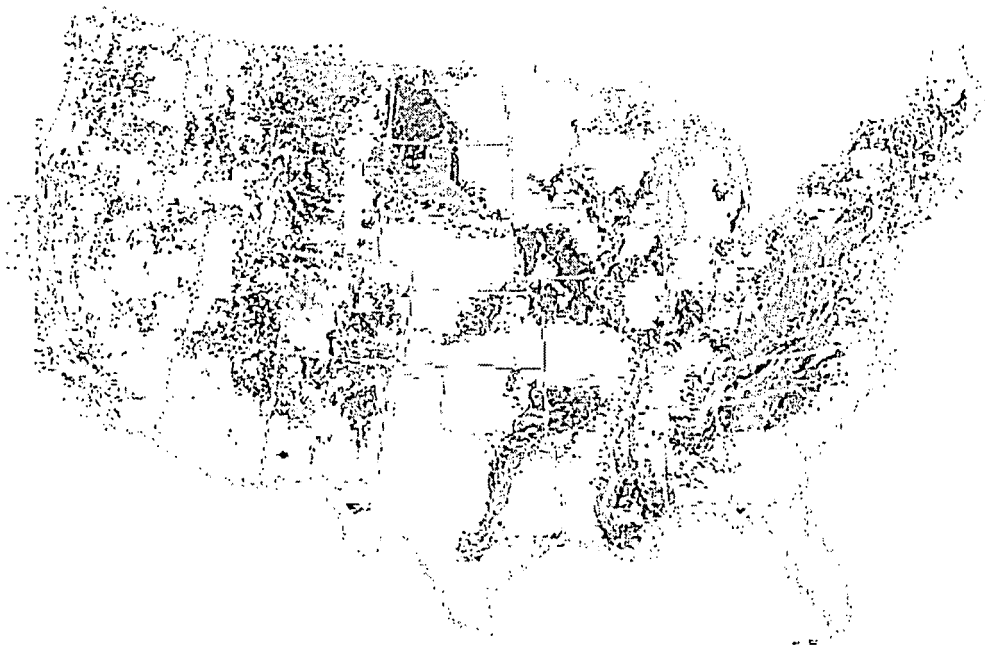
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Cover: Kelso, Washington (1998), site of America's second largest landslide disaster involving homes where 60 homes were destroyed. **Photo credit:** Scott Burns.

I. DEFINITION

Landslides occur when masses of rock, soil, or debris move down a slope under the force of gravity. The term landslide includes a wide range of ground movement such as rockfalls, mud and debris flows, and surface failures called slumps, earthflows, and translational slides. Landslides can occur in a matter of seconds or over the course of weeks and longer.



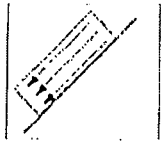
Landslide potential map - colors represent different levels of activity with red being highest, yellow moderate, green low, and white very low. Credit: USGS www.usgs.gov.

II. U.S. LANDSLIDE FACTS

- Landslides can occur in all 50 states
- Damages total approximately \$3.5 billion/year
- Landslides cause an average of 25-50 deaths/year
- Landslides reduce real estate value
- Landslides are generally not covered on homeowner's insurance policies

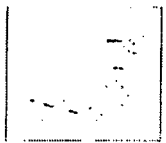
III. TYPES OF LANDSLIDES

SLIDES (translational or planar)



Down-slope movement of soil and/or rock on a plane of weak material can occur on relatively moderate to steep slopes, especially in weak geologic materials.

ROCKFALLS



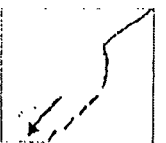
Rapid, near vertical, movement of rocks that involves free-falling, bouncing, and rolling; often occurs in areas with near vertical exposures of rock.

SLUMPS (rotational)



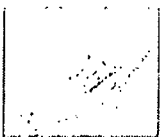
Unconsolidated materials (such as soil and debris) move down-slope in a distinctive rotational motion, usually occurs on moderate to steep slopes.

EARTH FLOWS



Unchannelized flow of water, soil, rock, and vegetation that moves down-slope, occurs on steep slopes. No failure surface at bottom.

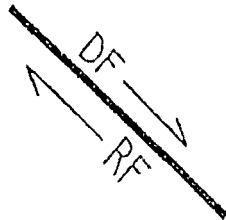
DEBRIS/ MUD FLOWS



Rapidly moving, channelized slurry flow of water, soil, rock, and vegetation; occurs mainly in drainage channels.

IV. CAUSES OF LANDSLIDES

Two forces affecting landslides are:



- 1) Driving Forces (DF)
cause the slope to move
- 2) Resisting Forces (RF)
stabilize the slope and prevent movement

When the driving forces exceed the resisting forces, landslides occur. To prevent or mitigate landslides, increase resisting forces or decrease driving forces.

Factors increasing driving forces:

- 1) Over-steepened slopes
- 2) Adding water to slope from landscape irrigation, roof downspouts, broken sewer and water lines, and poor stormwater drainage
- 3) Heavy rainfall and/or rapid snowmelt
- 4) Loading extra material at the top of the slope

Earthquakes and heavy precipitation can also trigger landslides on susceptible slopes.

Factors increasing resisting forces:

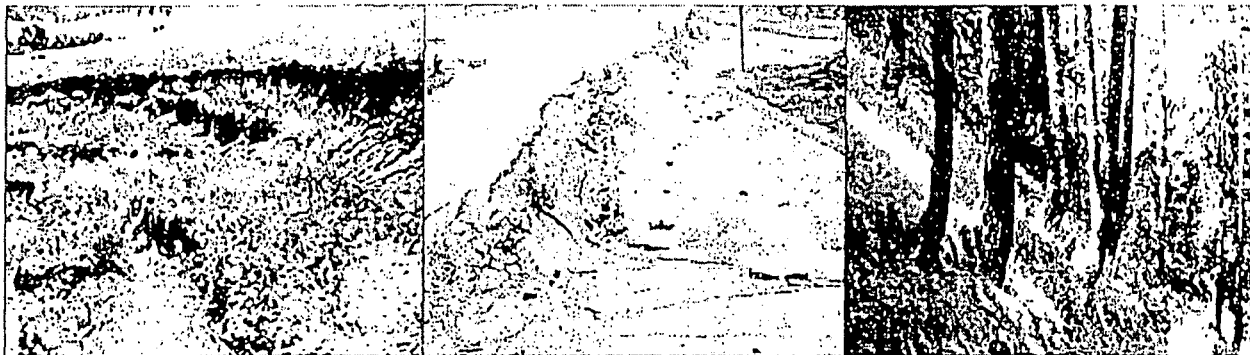
- 1) Removing excess water from slopes
- 2) Adding buttress material at base of a slope
- 3) Building retaining walls

V. LANDSLIDE RECOGNITION BEFORE YOU BUILD

SIGNS OF LANDSLIDE POTENTIAL OR ACTIVITY

Steep slopes – problems often occur on slopes steeper than 10-15 degrees.

Suspect landforms may indicate past ground movement. Landforms such as steep, curved scarps are common at the top of landslides. Hummocky (lumpy and bumpy) ground often indicates a former landslide. Trees that lean in different directions or have bent lower tree trunks (trees with knees) are also indicators.



Suspect landforms include: Scarps, sunken or down-dropped roads, and 'trees with knees'.
Top left scarp photo credit: USGS www.usgs.gov. Middle road and trees top right photo credits: Scott Burns.

To learn where landslides have occurred in your area contact local officials, state geologic surveys, departments of natural resources, or university geosciences departments.
Slopes where landslides have occurred in the past have a higher likelihood of movement in the future.

WHEN YOU BUILD

Buildings should be located away from high risk areas such as steep slopes, rivers and streams (perennial or ephemeral), and fans at the mouth of mountain channels.

Consult a certified or licensed engineering geologist (**CEG** or **LEG**) or a registered/licensed geologist (**RG**) or a professional geotechnical engineer (**PE**) if you plan on building on a location that is a **high risk** area.

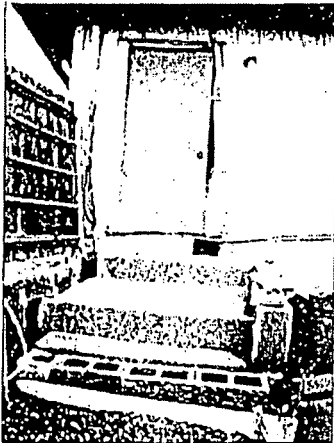
AREAS PRONE TO LANDSLIDES INCLUDE:

- Areas where previous landslides have occurred
- Steep natural slopes particularly in weak geologic materials
- Canyons and areas in or around drainages
- Developed hillsides where landscapes are irrigated
- Below cliffs or hills with outcrops of fractured rocks
- Steep slopes where surface runoff is directed onto the slope
- Areas where wildfires or human modification have removed vegetation from the slopes

VI. MONITORING YOUR HOUSE AND SURROUNDING PROPERTY

SIGNS OF LANDSLIDE ACTIVITY

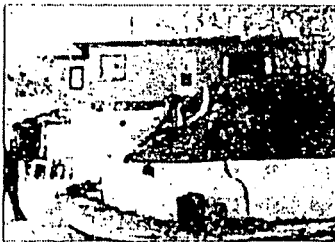
STRUCTURES:



House cracks. Photo credit: Scott Burns.

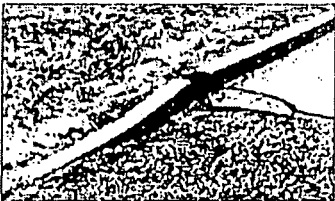
- Newly cracked pavement, foundation, support walls, sidewalks
- Tilted or cracked chimney
- Doors or windows that stick or jam for the first time
- Outside walls, walkways, or stairs start pulling away from the house
- Soil moves away from the foundation
- Plumbing or gas lines develop leaks

PROPERTY:



Foundation cracks. Photo credit: FEMA www.fema.gov.

- Bulging ground at base of slope
- Leaning fence posts or retaining walls
- Springs, seeps, or saturated soil in areas that have been typically dry
- Cracks in the ground
- Tilted trees or utility poles



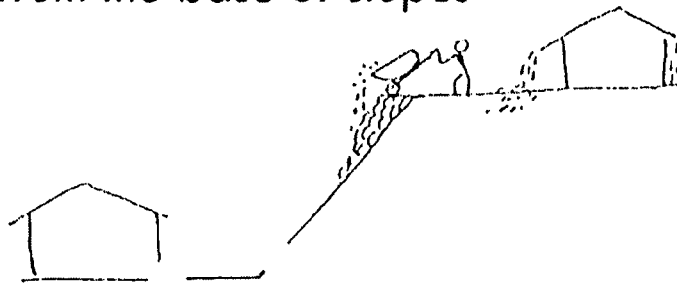
Street and ground cracks. Photo credit: Scott Burns.

If you have some of the above signs, your land may be slowly creeping. It may be an old landslide that has started to reactivate. Call a registered/licensed professional.

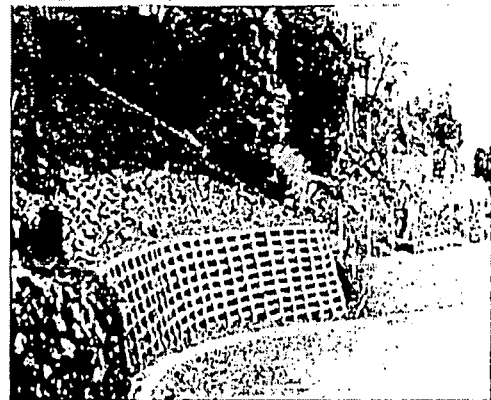
VII. REDUCE THE LIKELIHOOD OF A LANDSLIDE

- Minimize irrigation on slopes
- Make sure water and sewer lines do not leak
- Avoid removing material from the base of slopes

- **Avoid adding material or excess water to the top of slopes**



- Drain water from surface runoff, down-spouts, and driveways well away from slopes and into storm drains or natural drainages
- Plant ground cover with deep roots on slopes
- Build retaining walls at the base of the slope
- In debris/mud flow prone areas, in valley bottoms or on fans at the mouths of canyons, contact qualified professionals to determine how to best build channels and/or deflection walls to direct the flow around buildings (keeping in mind your neighbors)



Retaining wall at bottom of a slope.
Photo credit: Scott Burns.

VIII. QUICK GUIDE TO ASSESS LANDSLIDE POTENTIAL

- ☐ Have there been landslides in the area in the past?
- ☐ Is the house or site on or near a steep slope?
- ☐ Is there a cliff nearby?
- ☐ Is the ground cracked?
- ☐ Are there any old scarps on the slope?
- ☐ Is there a spring, seep or ponding water close by?
- ☐ Is there a drainage channel nearby?
- ☐ Are there any tilted or leaning trees, fences, or utility poles nearby?
- ☐ Do the trees have bent tree trunks?
- ☐ Is there any sign of cracking, or patched cracks in the walls or foundations
- ☐ Is the driveway or sidewalk cracked, patched, or down-dropped?
- ☐ Are any retaining walls cracked, tilted or off-set?
- ☐ Have any structures such as concrete steps moved away from the house?

If you have any of these signs your house could be susceptible to a landslide.

IX. ADDITIONAL INFORMATION

Federal Emergency Management Agency (FEMA) www.fema.gov
1-800-621-FEMA (3362)

United States Geological Survey (USGS) www.usgs.gov

National Landslide Info Center <http://landslides.usgs.gov>
1-800-654-4666

Important local phone numbers and agencies:

(Oregon) Nature of the Northwest Information Center: carries landslide hazard maps and other reports <http://www.naturenw.org> (503) 872-2750

Oregon Department of Geology and Mineral Industries (DOGAMI): maps landslides and issues reports www.oregongeology.com (971) 673-1555

Oregon Department of Forestry Debris flow Warning System: provides current forecasts and warnings <http://egov.oregon.gov/ODF>

Oregon: to check licensing for engineers (Oregon State Board of Examiners for Engineering and Land Surveying): <http://osbeels.org/>
(503) 566-2837

Oregon: to get lists of licensed geologists (Oregon State Board of Geology Examiners) www.oregon.gov/OSBGE/registrants (503) 566-2837

Washington State Department of Natural Resources: landslide information www.dnr.wa.gov/geology/hazards/slides.htm

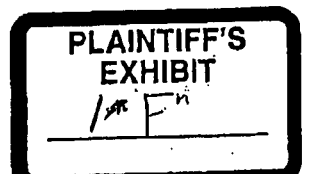
Washington State Department of Natural Resources: general information inquiries (360) 902-1000

Washington State Department of Licensing: to check professional license status www.dol.wa.gov/business/checkstatus.html

STATE OF SOUTH CAROLINA)	
)	IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE)	
Kevin McCarthy and Courtney E. McCarthy,)	C.A. No.: 2011-CP-23-____
)	
Plaintiffs,)	AFFIDAVIT OF
)	CARROLL L. CROWTHER, P.E.
vs.)	
)	
Keowee Falls Investment Group, LLC and S&ME,)	
)	
Defendants.)	

PERSONALLY APPEARED BEFORE ME, the undersigned officer duly authorized to administer oaths, Carroll L. Crowther, who, after being duly sworn, states as follows:

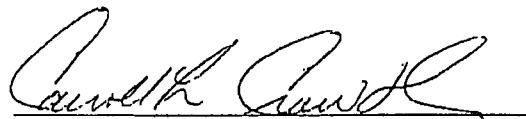
1. I am a citizen and resident of the State of South Carolina, County of Beaufort, and I am over the age of twenty-one years.
2. I have a Bachelor of Science in Civil Engineering degree from The Citadel (1961) and a Master of Science in Civil Engineering degree from The Georgia institute of Technology (1963).
3. I currently hold active Professional Engineer licenses in the States of Georgia and South Carolina.
4. I am employed by Whitaker Laboratories, Inc. of Savannah, Georgia and have been since 1997. My current position is as a Senior Consultant in Geotechnical Engineering. My responsibilities include report generation and review, and advice, analysis and consultation to the engineering and management staff in all areas of geotechnical engineering.



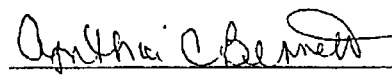
5. The information and statements contained in this Affidavit are based upon my knowledge, skill, experience, training and education in the field of geotechnical engineering. I am also familiar with the standards of care in the field of geotechnical engineering.
6. By virtue of my knowledge, skill, experience, training and education in the field of engineering I am qualified to review the reports, drawings and work of other engineers for errors and omissions contained in those reports, drawings, and work.
7. I was retained by Mr. Kevin McCarthy to review the engineering reports prepared by others concerning Lots 30, 31 and 32, Jasmine Point, The Cliffs, Salem, South Carolina
8. I have read and considered all of the documents listed below:
 - S&ME Inc. Report dated July 18, 2005 – signed by Michael Revis, P.E. and Howard Perry, P.E.
 - S&ME Inc. Report dated June 3, 2008 – signed by Jason Vaughn, E.I.T. and Mike Revis, P.E.
 - S&ME Inc. Report dated May 15, 2009 – signed and stamped by Walker Birdsong, P.E. and David Swoap, P.E.
 - S&ME Inc. Report dated February 12, 2010 – signed and stamped by Walker Birdsong, P.E. and David Swoap, P.E.
 - S&ME Inc. Report dated March 5, 2010 – signed and stamped by Walker Birdsong, P.E. and David Swoap, P.E.
 - BLE, Inc. Report dated 1 March 2010, prepared on this site.
 - BLE, Inc. Report dated 25 October 2010, prepared on this site.
 - BLE, Inc. Report dated 11 April 2011, prepared on this site.
 - IMZ Waterfront mitigation plan and photos of Lot 32 prepared by TUI/Shorescapes of Easley SC.
9. In addition to reviewing the above documents, I made a visual inspection of this Lot 32 on August 1, 2011. I earlier had made visual inspection of the adjacent properties on this Lake Keowee development, including the Lots 30 & 31 on June 3, 2011.

10. Based on my engineering experience, my site visits, my review of the geotechnical investigations conducted for this site, it is my opinion that the McCarthy's property, and immediately adjacent properties are experiencing an on-going shear failure of the hillside. This shear failure, and slope instability extends up into the cul-de-sac area of Jasmine Cove.
11. It is further my opinion that this state of failure existed in advance of the first, and all subsequent, geotechnical investigations by S&ME, Inc. Visual observations of scars from this state of failure are acknowledged in the July 2005 S&ME Inc report; however the significance of these observations is not acknowledged.
12. Based upon my investigation as hereinabove described, I believe that S&ME's conduct fell below the standard of care in the field of geotechnical engineering and was negligent in at least the following respects:
- By failing to recognize the visual indications of an active slope failure during the preparation of five separate geotechnical reports on the adjacent lot 31.
 - By failing to recognize the extension of the failure zone to adjacent lots 30 and 32.
 - By failing to provide timely warning to the developer of these properties of the existence of an active slope failure on the site.
 - By failing to pursue investigations into the site instability that would have further identified the risks to the developer and subsequent purchasers of the property.

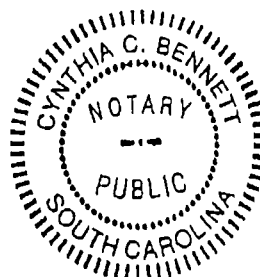
Further, Affiant Sayeth Naught.


CARROLL L. CROWTHER, P.E.

Sworn to before me this 22nd
day of September, 2011.


Notary Public, State of South Carolina
My Commission Expires: March 2, 2014

My Commission Expires
March 2, 2014



District of South Carolina Claims Register

12-01220-jw The Cliffs Club & Hospitality Group, Inc.

Chief Judge: John E. Waites

Chapter: 11

Office: Spartanburg

Last Date to file claims:

Trustee:

Last Date to file (Govt): 08/27/2012

Creditor: (542008090)
Courtney McCarthy
c/o Thomas Dudley, III
704 East McBee Avenue
Greenville, SC 29601

Claim No: 14
Original Filed
Date: 05/21/2012
Original Entered
Date: 05/21/2012

Status:
Filed by: CR
Entered by: Thomas E.
Dudley, III
Modified:

Amount claimed: \$102164.26

History:

Details 14-1 05/21/2012 Claim #14 filed by Courtney McCarthy, Amount claimed: \$102164.26
(Dudley, Thomas)

Description:

Remarks:

Claims Register Summary

Case Name: The Cliffs Club & Hospitality Group, Inc.

Case Number: 12-01220-jw

Chapter: 11

Date Filed: 02/28/2012

Total Number Of Claims: 1

Total Amount Claimed*	\$102164.26
Total Amount Allowed*	

*Includes general unsecured claims

The values are reflective of the data entered. Always refer to claim documents for actual amounts.

	Claimed	Allowed
Secured		
Priority		
Administrative		