



May 30, 2017

Ms. Carolyn McLain
Environmental Division
Office of the Attorney General
114 W. Edenton Street
Raleigh, North Carolina 27603

Re: Status Update Letter dated May 24, 2017

Ms. McLain:

On behalf of Woodlake CC Corporation, I am responding with all available information to your request for additional information in your letter dated May 24, 2017. The weekly update was sent on May 24 at 6:08 PM.

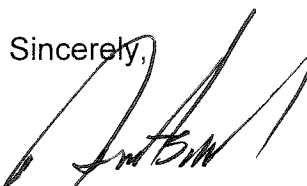
Olde South Landscaping is continuing site preparation by installing silt fencing, weather permitting.

Schnabel Engineering is retained as the engineer of record, but has pulled their representative from the site due to overdue payment for outstanding invoices. A letter from Schabel is attached.

At this time, we are awaiting receipt of funding in escrow to finalize the contract with Crowder Heavy Construction. A contract could be executed this week upon receipt of funding, but we are uncertain of the timeline for receiving funding.

As you know, I have been working diligently to secure funding from the financial partner. We are awaiting word on funds transfer this week to cover the invoices for Schnabel Engineering and the preparation work by Olde South Landscaping, and the escrow funding for Crowder Heavy Construction. We are fully aware of the time constraints fo the Consent Judgment, and are working diligently to secure the required funding. I submitted a Deed of Trust to Steiner Company/Multi Asset Anspar Plan 3 GmbH & Co. KG, Hamburg, Germany to secure the loan on April 25, 2017..

Please contact me if you have any questions about this response.

Sincerely,


Julie Watson
Vice President
Woodlake CC Corp



May 30, 2017

Ms. Julie Watson, Vice President
Woodlake CC Corporation
150 Woodlake Blvd.
Vass, NC 28394

SUBJECT: Status of Work
Woodlake Dam Breach
Schnabel Project #17C21008

Dear Ms. Watson:

SCHNABEL ENGINEERING SOUTH, PC (Schnabel) received an email on May 29, 2017, from Mr. Chris Meng who is working on your behalf in regards to the Court Judgement by the Attorney General's office of the state of North Carolina to breach Woodlake Dam due to the damage from Hurricane Matthew from last October 2016. Schnabel was hired by you to provide a breach design, which included topographic surveys in and around the spillway, sediment and erosion control permitting, environmental permitting/approval to perform the work in and around streams and wetlands, and drawings and specifications to safely pass the design storm without excessive pool rise in the lake. Schnabel submitted the breach design to NCDEQ, Dam Safety on May 1, 2017 and the plan was approved on May 3, 2017.

As you know, due to financial concerns with Woodlake CC Corp (Woodlake), we requested a 50% retainer for the fees. We received the retainer and proceeded with the work to deliver the product to Dam Safety as stipulated. We also invoiced Woodlake for the remaining 50% of the lump sum fee, of which we have not been paid to date. In the meantime, Woodlake has been working with Crowder Construction of Apex, NC to contract and perform the breach. Crowder is awaiting guarantee of funds into an escrow account before they will mobilize to the site. In the meantime, Woodlake hired Olde South Landscaping (Olde South) to begin demolition of the spillway (metal works only) and initiate sediment and erosion control features. In good faith, Schnabel provided personnel on site at the beginning of Olde South's work to observe and document their work. However, we were promised payment to continue work the week of May 15, 2017 and it was not received. This portion of Schnabel's work, construction oversight, has not been formalized as we were not sure if this work would be a change order to the original contract or part of Crowder's fee. Therefore, with no assurance of how this contract was to continue or how we were to be paid for the work, we removed our personnel from the site on May 18, 2017.

NCDEQ requires continuous observation of the work by the Engineer of Record (EOR) or his qualified representative from start of construction to end of construction. We cannot and will not sign off on work that we do not observe. In addition, our environmental consultant has stopped work with regard to drafting revised figures. We will resume work and provide onsite observation once we receive the remaining 50% payment of our original contract and payment for the site observation services performed to date. We need direction as to whom our contract for construction observation needs to be with from this point forward. We can write a change order to our original contract, or if Crowder is funded the

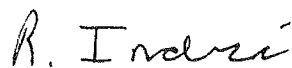
appropriate amount, we can contract under them. Regardless, we will need proof that the funds for construction observation services are committed and available in the US prior to resuming work.

Note that Schnabel would like to assist on this project and see it through, but until payments as promised are received, we cannot provide those services.

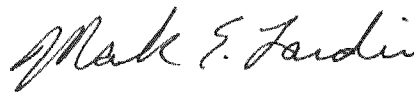
If you need additional information or have any questions, please call.

Sincerely,

SCHNABEL ENGINEERING SOUTH, PC



Rob Indri, PE
Project Manager / Project EOR



Mark E. Landis, PG, PE
Principal

RI/ML

G:\2017\Greensboro\17C21008_00_vWoodlake_Dam_Rehabilitation\02-Project Docs\02-Correspondence\Client\Response Ltr 5-30-17-tjf-rti.doc

For Registration Register of Deeds
 Judy D. Martin

Moore County, NC
 Electronically Recorded

April 25, 2017 11:35:49 AM
 Book: 4804 Page: 547 - 551 #Pages: 5

Fee: \$64.00 NC Rev Stamp: \$0.00

Instrument # 2017005711

Tax Lot No. _____ Parcel Identifier No. _____

Mall after recording to: _____

This instrument prepared by: D.T. Scarborough III, Attorney at Law

Brief Description for Index

Woodlake CC Excepting Lots

FUTURE ADVANCE

NORTH CAROLINA DEED OF TRUST

THIS DEED OF TRUST made this *24th day of April 2017*, by and between:

GRANTOR	TRUSTEE	BENEFICIARY
<p>Woodlake CC Corp., a NC corporation with a mailing address of 150 Woodlake Blvd., Vass, NC 28394</p>	<p>D.T. Scarborough III</p>	<p>Multi Asset Anspar Plan 3 GmbH & Co. KG Hamburg, Germany</p>

Enter in appropriate block for each party: name, address and, if appropriate, character of entity, e.g. corporation or partnership

The designation Grantor, Trustee, and Beneficiary as used herein shall include said parties, their heirs, successors and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH, That whereas Grantor is *or may be* indebted to Beneficiary in the principal sum of **Six Million Five Hundred Thousand Dollars (\$6,500,000.00)**, as evidenced by a **Promissory Note Participation Agreement of even date herewith**, the terms of which are incorporated herein by reference. The final due date for payment of said **Promissory Note, Participation Agreement** if not sooner paid is **April of 2049**. **Wherever used herein Promissory Note shall mean and refer to the Participation Agreement.**

NOW, THEREFORE, as security for said indebtedness, advancements and other sums expended by Beneficiary pursuant to this Deed of Trust and costs of collection (included attorneys fees as provided in the Promissory Note) and other valuable consideration, the receipt of which is hereby acknowledged, the Grantor has bargained, sold, given, granted and conveyed and does by these presents bargain, sell, give, grant and convey to said Trustee, his heirs, or

successors, and assigns, *with power of sale* the parcel(s) of land situated in the City of, *Little Township, Moore County, North Carolina*, (the "Premises") and more particularly described as follows:

All properties described in the following conveyances:

Deed Book 474 Page 900; Deed Book 482 Page 36 (as potentially corrected by Deed Book 525 Page 437); Deed Book 536 Page 162; Deed Book 541 Page 273; Deed Book 544 Page 780; Deed Book 551 Page 558; Deed Book 590 Page 239; Deed Book 627 Page 606; Deed Book 657 Page 451; Book 1030 Page 232, Book 1031 Page 295; Book 1059 Page 171; Book 1082 Page 36; Book 1087 Page 531; Book 1131 Page 193; Book 1313 Page 189; Book 1349 Page 303; Book 1437 Page 431; and Book 1523 Page 78; the descriptions of which (including exceptions) are incorporated herein by reference (the "Property").

EXCEPTING, HOWEVER, from the above descriptions, all separately numbered or identified Lots (including Shore Villa Lots) as shown on the various recorded plats of Lake Surf, Incorporated, and/or Woodlake Country Club and/ or Woodlake Partners, LLC, (or by its predecessor prior to conversion, Woodlake Partners, Limited Partnership) and any tracts, parcels or lots subsequently conveyed from any of the parcels described in the above conveyances and not subsequently re-acquired (or if re-acquired, then subsequently conveyed and not re-acquired again) prior to the acquisition of all the above-described properties by Woodlake CC Corp.

TO HAVE AND TO HOLD said Premises with all privileges and appurtenances thereto belonging to said Trustee, his heirs, successor and assigns forever, upon the trusts, terms and conditions, and for the uses hereinafter set forth.

If the Grantor shall pay the Note secured hereby in accordance with its terms, together with interest thereon, and any renewals or extensions thereof in whole or in part, and shall comply with all of the covenants, terms and conditions of this Deed of Trust, then this conveyance shall be null and void and may be canceled of record at the request and the expense of the Grantor. If, however, there shall be any default (a) in the payment of any sums under the Note, this Deed of Trust, or any other instrument securing the Note and such default is not cured within ten (10) days from the due date, or (b) if there shall be default in any of the other covenants, terms or conditions of the Note secured hereby, or any failure or neglect to comply with the covenants, terms or conditions contained in this Deed of Trust or any other instrument securing the Note and such default is not cured within fifteen (15) days after written notice, then and in such events, without further notice, it shall be lawful for and the duty of the Trustee, upon request of Beneficiary, to sell the land herein conveyed at public auction for cash, after first giving such notice of hearing as to commencement of foreclosure proceedings and obtained such findings or leave of court as may then be required by law and giving such notice and advertising the time and place of such sale in such manner as may then be provided by law, and upon such and any resales and upon compliance with the law then relating to foreclosure proceedings under power of sale to convey title to the purchaser in as full and ample manner as the Trustee is empowered. The Trustee shall be authorized to retain an attorney to represent him in such proceedings.

The proceeds of such sale shall after the Trustee retains his commission, together with reasonable attorneys fees incurred by the Trustee in such proceeding, be applied to the costs of sale, including, but not limited to, costs of collection, taxes, assessments, costs of recording, service fees and incidental expenditures, the amount due on the Note hereby secured and advancements and other sums expended by the Beneficiary according to the provisions hereof and as otherwise required by the then existing laws relating to foreclosure. The Trustee's commission shall be five per cent (5%) of the gross proceeds of sale or the minimum sum of **\$2,500.00**, whichever is greater, for a completed foreclosure. In the event that foreclosure is commenced but not completed, the Grantor shall pay all expenses incurred by Trustee, including reasonable attorneys fees, and a partial commission computed on five per cent (5%) of the outstanding indebtedness or the above stated minimum sum, whichever is greater, in accordance with the following schedule, to wit: one-fourth (¼) thereof before the Trustee issues a notice of hearing on the right to foreclose; one-half (½) thereof after issuance of said notice; three-fourths (¾) thereof after such hearing; and the greater of the full commission or minimum sum after the initial sale.

And the said Grantor does hereby covenant and agree with the Trustee as follows:

1. INSURANCE. Grantor shall keep all improvements on said land, now or hereafter erected, constantly insured for the benefit of the Beneficiary against loss by fire, windstorm and other such casualties and contingencies, in such manner and in such companies and for such amounts, not less than the amount necessary to pay the sum secured by this Deed of Trust, and as may be satisfactory to the Beneficiary. Grantor shall purchase such insurance, pay all premiums therefor, and shall deliver to Beneficiary such policies along with evidence of premium payment as long as the Note secured hereby remains unpaid. If Grantor fails to purchase such insurance, pay premiums therefor or deliver such policies along with evidence of payment of premiums thereon, then Beneficiary, at his option, may

purchase such insurance. Such amounts paid by Beneficiary shall be added to the principal of the Note secured by this Deed of Trust, and shall be due and payable upon demand of Beneficiary. All proceeds from any insurance so maintained shall at the option of the Beneficiary be applied to the debt secured hereby and if payable in installments, applied in the inverse order of maturity of such installments or to the repair or reconstruction of any improvements located upon the Property.

2. TAXES, ASSESSMENTS AND CHARGES. Grantor shall pay all taxes, assessments and charges as may lawfully be levied against said Premises within thirty (30) days after the same shall become due. In the event that Grantor fails to pay all taxes, assessments and charges as herein required, then Beneficiary, at his option, may pay the same and the amounts so paid shall be added to the principal of the Note secured by this Deed of Trust, and shall be due and payable upon the demand of Beneficiary.

3. ASSIGNMENT OF RENTS AND PROFITS. Grantor assigns to Beneficiary, in the event of default, all rents and profits from the land and improvements thereon, and authorizes Beneficiary to enter upon and take possession of such land and improvements, to rent same, at any reasonable rate of rent determined by the Beneficiary, and after deducting from said rent the cost of reletting and collection, to apply the remainder to the debt secured hereby.

4. PARTIAL RELEASE. Grantor shall not be entitled to the partial release of any of the above described property unless a specific provision providing therefor is included in this Deed of Trust. In the event a partial release provision is included in this Deed of Trust, Grantor must strictly comply with the terms thereof. Notwithstanding anything herein contained, Grantor shall not be entitled to any release of property unless Grantor is not in default and is in full compliance with all of the terms and conditions of the Note, this Deed of Trust, and any other instrument that may be securing said Note.

5. WASTE. The Grantor covenants that he will keep the Premises herein conveyed in as good order, repair and condition as they are now, reasonable wear and tear excepted, and will comply with all governmental requirements respecting the Premises or their use, and that he will not commit or permit any waste.

6. CONDEMNATION. In the event that any or all of the Premises shall be condemned and taken under the power of eminent domain, Grantor shall give immediate written notice to Beneficiary and Beneficiary shall have the right to receive and collect all damages awarded by reason of such taking, and the right to such damages is hereby assigned to Beneficiary who shall have the discretion to apply the amount so received, or any part thereof, to the indebtedness due hereunder and if payable in installments applied in reverse order of maturity of such installments, or to any alteration, repair or restoration of the Premises by Grantor.

7. WARRANTIES. Grantor covenants with Trustee and Beneficiary that he is seized of the Premises in fee simple, has the right to convey the same in fee simple, that title is marketable and free of all encumbrances, and that he will warrant and defend the title against all lawful claims of all persons whomsoever, except for the exceptions hereafter stated. Title to the property hereinabove described is subject to the following exceptions: *all easements, rights of way, restrictions, and prior encumbrances of record*

8. SUBSTITUTION OF TRUSTEE. Grantor and Trustee covenant and agree to and with Beneficiary that in the case said Trustee, or any successor trustee, shall die, become incapable of acting, renounce his trust, or for any reason the holder of the Note desires to replace said Trustee, then the holder may appoint, in writing, a trustee to take the place of the Trustee; and upon the probate and registration of the same, the trustee thus appointed shall succeed to all rights, powers and duties of the Trustee.

THE FOLLOWING PARAGRAPH, 9. SALE OF PREMISES SHALL NOT APPLY UNLESS THE BLOCK TO THE LEFT MARGIN OF THIS SENTENCE IS MARKED AND/OR INITIALED.

9. SALE OF PREMISES. Grantor agrees that if the Premises or any part thereof or any interest therein is sold, assigned, transferred, conveyed or otherwise alienated by Grantor, whether voluntarily or involuntarily or by operation of law [other than: (i) the creation of a lien or other encumbrance subordinate to this Deed of Trust which does not relate to a transfer of rights of occupancy in the Premises; (ii) the creation of a purchase money security interest for household appliances; (iii) a transfer by devise, descent, or operation of law of the death of a joint tenant or tenant by the entirety; (iv) the grant of a leasehold interest of three (3) years or less not containing an option to purchase; (v) a transfer to a relative relating from the death of a Grantor; (vi) a transfer where the spouse of children of the Grantor become the owner of the Premises; (vi) a transfer resulting from a decree of dissolution of marriage, or legal separation agreement, or from an incidental property settlement agreement, by which a spouse of the Grantor becomes the owner of the Premises; (viii) a transfer into an inter vivos trust in which the Grantor is and remains a beneficiary and which does not relate to a transfer of rights of occupancy in the Premises], without the prior written consent of Beneficiary, Beneficiary, at its option, may declare the Note secured hereby and all other obligations hereunder to be forthwith due and payable. Any change in the legal or equitable title of the Premises or in the beneficial ownership of the Premises, including the sale, conveyance or disposition of a majority interest in the Grantor if a corporation or partnership, whether or not of record and whether or not for consideration, shall be deemed to be a transfer of an interest in the Premises.

10. ADVANCEMENTS. If Grantor shall fail to perform any of the covenants or obligations contained herein or in any other instrument given as additional security for the Note secured hereby, the Beneficiary may, but without obligation, make advances to perform such covenants or obligations, and all such sums so advanced shall be added to

the principal sum, shall bear interest at the rate provided in the Note secured hereby for sums due after default and shall be due from Grantor upon demand of the Beneficiary. No advancement or anything contained in this paragraph shall constitute a waiver by Beneficiary or prevent such failure to perform from constituting an event of default.

11. **INDEMNITY.** If any suit or proceeding be brought against the Trustee or Beneficiary or if any suit or proceeding be brought which may affect the value or title of the Premises, Grantor shall defend, indemnify and hold harmless and on demand reimburse Trustee or Beneficiary from any loss, cost, damage or expense and any sums expended by Trustee or Beneficiary shall bear interest as provided in the Note secured hereby for sums due after default and shall be due and payable on demand.

12. **WAIVERS.** Grantor waives all rights to require marshaling of assets by the Trustee or Beneficiary. No delay or omission of the Trustee or Beneficiary in the exercise of any right, power or remedy arising under the Note or this Deed of Trust shall be deemed a waiver of any default or acquiescence therein or shall impair or waive the exercise of such right, power or remedy by Trustee or Beneficiary at any other time.

13. **CIVIL ACTION.** In the event that the Trustee is named as a party to any civil action as Trustee in this Deed of Trust, the Trustee shall be entitled to employ an attorney at law, including himself if he is a licensed attorney, to represent him in said action and the reasonable attorney's fees of the Trustee in such action shall be paid by the Beneficiary and added to the principal of the Note secured by this Deed of Trust and bear interest at the rate provided in the Note for sums due after default.

14. **PRIOR LIENS.** Default under the terms of any instrument secured by a lien to which this Deed of Trust is subordinate shall constitute default hereunder.

15. **OTHER TERMS.** *Maximum Principal Amount Secured. This is a Future Advance Deed of Trust subject to the provisions of Article 7 of Chapter 45 of the North Carolina General Statutes, as the same may be amended from time to time. This Deed of Trust is given wholly or partly to secure (i) Borrower's present obligations to Lender which are approximately \$2,500,000.00, and (ii) Borrower's future obligations to Lender which may, from time to time, be incurred or advanced hereunder. Future obligations secured by this Deed of Trust may be incurred by Borrower within a period of thirty years from the date of this Deed of Trust.*

The maximum principal amount, including present and future obligations, which may be secured by this Deed of Trust at any one time is: \$6,500,000.00

IN WITNESS WHEREOF, the Grantor has duly executed the foregoing as of the day and year first above written.

_____ (SEAL)
Woodlake CC Corp.
 Entity Name

By: _____ (SEAL)
 Title: *Julie Watson, Vice-President*

By: _____ (SEAL)
 Title: _____

By: _____ (SEAL)
 Title: _____

State of North Carolina - County of _____

I, the undersigned Notary Public of the County and State aforesaid, certify that _____ personally appeared before me this day and acknowledged the due execution of the foregoing instrument for the purposes therein expressed. Witness my hand and Notarial stamp or seal this _____ day of _____, 20__.

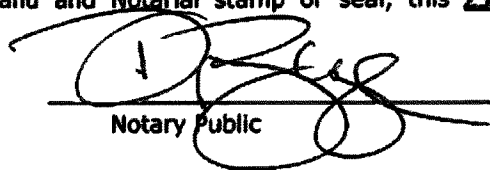
My Commission Expires: _____ Notary Public

State of North Carolina - County of _____

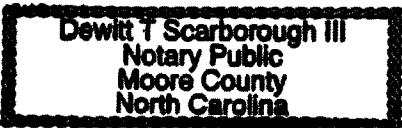
I, the undersigned Notary Public of the County and State aforesaid, certify that *Julie Watson* personally came before me this day and acknowledged that she is the *Vice President of Woodlake CC Corp.*, a North Carolina or

_____ corporation/~~limited liability company~~/~~general partnership~~/~~limited partnership~~ (strike through the inapplicable), and that by authority duly given and as the act of such entity, she signed the foregoing instrument in its name on its behalf as its act and deed. Witness my hand and Notarial stamp or seal, this 25th day of April, 2017.

My Commission Expires: 1/18/2020



Notary Public



State of North Carolina - County of _____

I, the undersigned Notary Public of the County and State aforesaid, certify that _____

_____. Witness my hand and Notarial stamp or seal, this ____ day of _____, 20__.

My Commission Expires: _____

Notary Public

The foregoing Certificate(s) of _____ is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof. _____ Register of Deeds for _____ County

By: _____ Deputy/Assistant - Register of Deeds