

Exhibit XII - Fraud Element #4

PARAGON
COMMERCIAL BANK

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Document A

TC CH LOTS

February 24, 2009

Mr. Spencer C. Young
Spencer C. Young Investments, Inc. / The Courtyard of Chapel Hill LLC
134 Meadowmont Village Circle
Chapel Hill, NC 27517-7516

Re: Loan number 3857 in the original amount of \$791,000

NOTICE OF DEFAULT AND DEMAND FOR PAYMENT

Dear Mr. Young;

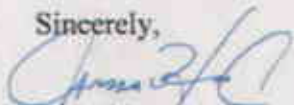
I have previously contacted you regarding your loan which matured on February 10, 2009. However, despite my previous correspondence, the January 10th interest payment has not been paid as agreed nor has Paragon Commercial Bank received the information requested to extend the note under the terms outlined in my previous letter to you. As of today the total amount you owe is \$797,484.21 broken down as follows:

\$791,000.00 Principal,
\$6,377.43 interest through February 24, 2009 plus \$126.34 per day thereafter and
\$106.78 in late charges

Your failure to pay the amount due when owed is an Event of Default under the terms of the Promissory Note and other Loan Documents. Notice of Default is hereby given. Be advised that under the terms of your note Paragon has elected to increase your interest rate to the default rate of 5.75% effective today through the date of payment. The new interest rate is reflected in the above per diem rate.

It is imperative that you forward the full amount now due to us immediately in order to avoid further collection actions on our part. If we do not receive full payment by the close of business on Monday, March 2, 2009 we will turn this matter over to our legal counsel for collection action.

Sincerely,



Mr. James W. Hoose Jr.

Senior Vice President - Credit Administration

3535 Glenwood Ave, Raleigh, NC 27612

(919) 534-7384 Cell: (919) 270-4886 Fax: (866) 3579557

Cc: Lisa Summers
Poyner Spruill LLP
PO Box 1801
Raleigh, NC 27602

Cc: Wellington Advisors
101 W. Friendly Ave, Suite 601
Greensboro, NC 27401

Exhibit XII - Fraud Element # 4

Document B

Date: Feb. 25, 2009
To: Bob Hatley – CEO, Paragon Commercial Bank
From: Spencer Young – President, Spencer C. Young Investments, Inc.



The purpose of this memo is to:

- (1) Register my dismay in your declaring an entirely FRAUDULENT monetary default on Loan # 3857 for the Graham St. lots in Chapel Hill. As you and your staff well know, these lots were acquired to provide stack valet parking, and thereby permanently resolve a commercial sabotage involving the unlawful blockade of the parking lot of *The Courtyard of Chapel Hill*. This action so substantially increased the value of this property, Paragon expressed its willingness to (a) finance 100% of the acquisition cost; (b) provide immediate liquidity for working capital and to finance the cost of configuring the parking lots pursuant to plans shared with you and your staff; and (c) finance the recapitalization of all my North Carolina properties pursuant to the earn-out structure we followed in your financing of *The Pit Stop of Durham* (a/k/a *Triangle Village Auto Mall*). As you well know, we mutually agreed to this one-year loan, in contemplation of the aforesaid financing plans, and was merely a stop-gap measure in response to Wachovia's bizarre attempt to crater the "no-brainer financing" (Martin Borden's words).
- (2) Put you and *Paragon Commercial Bank* on notice that following through on this threatened CRIMINAL FRAUD, would cause EXTENSIVE damages, for which you and your bank would be held accountable.
- (3) Demand that you follow my express instructions to correct your prior negligent and derelict loan administration and bring these and my other Paragon loans (specifically #s 2147, 3714 and 2346) fully current.

In closing, I wish to register my astonishment in Paragon's reckless and irresponsible behavior – and I respectfully ask that you cease and desist engaging in such CRIMINAL acts.

Exhibit XII - Fraud Element # 4

PARAGON
COMMERCIAL BANK

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Document C

TFSOD & LOC

March 3, 2009

Mr. Spencer C. Young
Spencer C. Young Investments Inc.
134 Meadowmont Village Circle
Chapel Hill, NC 27517-7516

Notice of Default and Intent to Accelerate

Dear Mr. Young:

I have previously notified you that payments due on your notes at Paragon Commercial Bank ("Paragon") were past due. Specifically, the following payments are now past due:

Note # 2147, \$12,778.14 due February 15, 2009


Note 3714, \$279.86 due February 10, 2009

Your failure to pay these installments as they become due is an Event of Default under the loan documents which you executed. Notice of Default is hereby given. According to the terms of the loan documents, as a result of this default Paragon is entitled to accelerate the maturity date of your notes and declare the full balance of your notes to be immediately due and payable.

Be advised that if payment is not received by 5:00 p.m. on March 11, 2009, Paragon intends to declare the entire balance owing on your notes to be payable in full and to take such additional action as we deem appropriate under the terms of the loan documents and at law. This action can be avoided if the payment is made promptly and no further delinquencies occur.

Be advised that, notwithstanding the above, any delay on the part of Paragon to exercise its rights or remedies arising from this default is not intended, and should not be construed, to be a waiver of those rights.

Sincerely,



James W. Hoose, Jr.
Senior Vice President

CC: Mr. Spencer C. Young,
Individually as Guarantor
134 Meadowmont Village Circle
Chapel Hill, NC 27517-7516

Lisa P. Summer
Poyner Spruill LLP
PO Box 1801
Raleigh, NC 27602

MVC

March 3, 2009

Mr. Spencer C. Young
Spencer C. Young Investments /
Meadowmont Village Condo of Chapel Hill LLC
134 Meadowmont Village Circle
Chapel Hill, NC 27517-7516

Notice of Default and Intent to Accelerate

Dear Mr. Young:

I have previously notified you that payments due on your note at Paragon Commercial Bank ("Paragon") were past due. Specifically, the following payment is now past due:

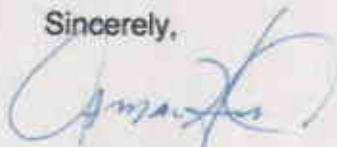
Note # 2346, \$1,349.20 due February 15, 2009

Your failure to pay these installments as they become due is an Event of Default under the loan documents which you executed. Notice of Default is hereby given. According to the terms of the loan documents, as a result of this default Paragon is entitled to accelerate the maturity date of your notes and declare the full balance of your notes to be immediately due and payable.

Be advised that if payment is not received by 5:00 p.m. on March 11, 2009, Paragon intends to declare the entire balance owing on your notes to be payable in full and to take such additional action as we deem appropriate under the terms of the loan documents and at law. This action can be avoided if the payment is made promptly and no further delinquencies occur.

Be advised that, notwithstanding the above, any delay on the part of Paragon to exercise its rights or remedies arising from this default is not intended, and should not be construed, to be a waiver of those rights.

Sincerely,



James W. Hoose, Jr.
Senior Vice President

CC: Mr. Spencer C. Young,
Individually as Guarantor
134 Meadowmont Village Circle
Chapel Hill, NC 27517-7516

Lisa P. Sumner
Poyner Spruill LLP
PO Box 1801
Raleigh, NC 27602

Exhibit XII - Fraud Element # 4

Document E

Date: Mar. 6, 2009

To: Bob Hatley – CEO, Paragon Commercial Bank (“Paragon”)

From: Spencer Young – President, Spencer C. Young Investments, Inc.



The purpose of this memo is to:

- (1) Memorialize you have NOT responded to my letters of Feb. 11 and 25
- (2) Register my disgust in your now declaring FRAUDULENT monetary defaults on ALL of my Paragon loans. As you most certainly know, and which is well-documented, you and your staff at Paragon FAILED TO FOLLOW EXPLICIT AND UNAMBIGUOUS INSTRUCTIONS to apply funds in my deposit accounts at Paragon, which were most certainly sufficient to cover the debt service requirements on ALL of my loans.
- (3) Reiterate what I told Mr. Hoose – retrieve the monies (approximately \$17,000) that were wrongfully transferred out of my operating account (#0016535), which CONTRADICTED MY EXPLICIT INSTRUCTIONS, and be sure to use those monies so that ALL of my Paragon loans were kept current. Let me be clear, there was no legitimacy to such unauthorized transfers – ergo, they were DIABOLICAL.
- (4) Inform you I can NOT and will NOT make loan payments I HAVE ALREADY MADE – for as you know, I directed you and your staff at Paragon to make these required monthly debt service on ALL loans using available funds on account. And after reviewing recently received bank statements, it is obvious you and your staff IGNORED ALL OF MY INSTRUCTIONS. This is not only an outrage – it is criminal fraud, which you are carrying out in such a brazen manner that conveys you believe you are above the law – you are NOT, and if you follow through with this audacious FRAUD, you and all of Paragon will be held FULLY accountable.
- (5) Advise you if I were to make such DUPLICATE payments, I would be acknowledging that they were, in fact delinquent – which they are NOT – nor have they ever been. And for this reason, I WILL NOT INTERACT WITH OR OTHERWISE RESPOND TO YOUR ATTORNEYS AT POYNER & SPRUILL – because this would be unnecessary with loans that have always had an exemplary credit history. Your malicious acts merely confirm your collusion to cover up the same criminal activities that Wachovia was found to be involved in – and you damn well know what I’m talking about. For it is now OBVIOUS Paragon’s financing of my acquisition of the Graham St. lots was a canard – because under the circumstances, NO legitimate banker would finance 100% of the acquisition price, and then renege on financing the build-out necessary to realize its SUBSTANTIAL value.
- (6) Remind you that following through on this threatened CRIMINAL FRAUD would cause EXTENSIVE monetary damages, for which you, your staff who are involved and Paragon as a regulated banking institution, would be held accountable.
- (7) Once again DEMAND that you follow my express instructions to correct your prior negligent and derelict loan administration and bring ALL of my Paragon loans current..