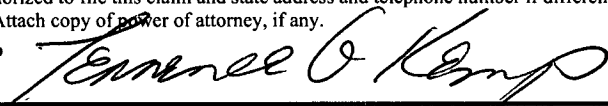



<b>UNITED STATES BANKRUPTCY COURT</b>		<b>PROOF OF CLAIM</b>
Name of Debtor: <b>THE CLIFFS AT WALNUT COVE &amp; COUNTRY CLUB, LLC</b>		Case Number: <b>12-01220</b>
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): <b>TERRENCE GREGORY KEMP AKA GREG KEMP</b>		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim.  Court Claim Number: _____ (If known)  Filed on: _____
Name and address where notices should be sent: <b>GREG KEMP 550 PAIEA STREET, SUITE 230 HONOLULU, HAWAII 96819-1837 Telephone number: (808) 358-5367</b>		
Name and address where payment should be sent (if different from above):  <div style="text-align: center;"><b>RECEIVED MAR 12 2012 BMC GROUP</b></div>		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.  <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.
Telephone number: _____		
1. Amount of Claim as of Date Case Filed: <b>\$25,000.00</b>  If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.  If all or part of your claim is entitled to priority, complete item 5.  <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.  Specify the priority of the claim.  <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 filing of the bankruptcy petition or cessation of the debtor's business, 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).  <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)( ).  Amount entitled to priority: \$ _____  <small>*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.</small>
2. Basis for Claim: <b>SEE ATTACHED EXHIBITS "A", "B", "C", &amp; "D"</b> (See instruction #2 on reverse side.)		
3. Last four digits of any number by which creditor identifies debtor: <b>0231</b>  3a. Debtor may have scheduled account as: <b>N/A</b> (See instruction #3a on reverse side.)		
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff 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 _____ %  Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____  Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____		
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.  7. Documents: Attach 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. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.)  DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.  If the documents are not available, please explain:		
Date: <b>3/8/2012</b>  <b>TERRENCE GREGORY KEMP</b> 		Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.  <div style="text-align: right;"> <b>FOR COURT USE ONLY</b>           Cliffs POC            00018       </div>

**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, there may be exceptions to these general rules.*

**Items to be completed in Proof of Claim form****Court, Name of Debtor, and Case Number:**

Fill in the federal judicial district where the bankruptcy case was filed (for example, Central District of California), the bankruptcy debtor's name, and the bankruptcy case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is located 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 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. You may be required to provide additional disclosure if the trustee or another party in interest files an objection to your 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:**

Use this space to 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.

**4. Secured Claim:**

Check the appropriate box and provide the requested information if the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See DEFINITIONS, below.) State the type and the value of property that secures the claim, attach copies of lien documentation, and state annual interest rate and the amount past due on the claim as of the date of the bankruptcy filing.

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

If any portion of your claim falls in one or more of the listed categories, check the appropriate box(es) and state the amount entitled to priority. (See DEFINITIONS, below.) 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 to this proof of claim form redacted copies documenting the existence of the debt and of any lien securing the debt. You may also attach a summary. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary. FRBP 3001(c) and (d). If the claim is based on the delivery of health care goods or services, see instruction 2. Do not send original documents, as attachments may be destroyed after scanning.

**Date and Signature:**

The person filing 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. 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. Attach a complete copy of any power of attorney. Criminal penalties apply for making a false statement on a proof of claim.

**DEFINITIONS****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 owed a debt by the debtor that arose on or 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 on a debt owed by the debtor that arose 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 should redact and use only the last four digits of any social-security, individual's tax-identification, or financial-account number, all but the initials of a minor's name and only the year of any person's date of birth.

**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.

**INFORMATION****Acknowledgment of Filing of Claim**

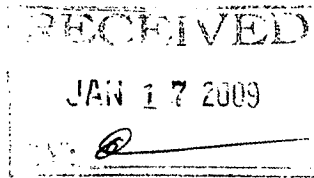
To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system ([www.pacer.psc.uscourts.gov](http://www.pacer.psc.uscourts.gov)) for a small fee to view your filed proof of claim.

**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.



EXHIBIT "A"



January 13, 2009

Mr. Greg Kemp  
550 Paiea Street  
Honolulu, HI 96819

Dear Mr. Kemp,

It is with regret we write at this time to confirm acknowledgment of your resignation of your Cliffs at Walnut Cove Family Membership with The Cliffs Golf and Country Club. Your resignation is effective with the receipt of your written resignation notice and will be effective January 4, 2009.

In accordance with the Membership Addendum executed in conjunction with your Real Estate Purchase Agreement, the \$25,000 membership initiation deposit paid by the Developer is not refundable unless you hold the membership for five (5) years from the date of purchase.

Your refund will be processed in accordance with the refund policies and procedures as outlined in the Master Membership Plan. If you need a copy of this document, please let us know. In summary, the refund is processed as follows:

- Your Walnut Cove Family Membership refund of \$25,000 is placed in a priority waiting list based on the classification and location of your membership. The Master Membership Plan outlines the refund procedure and explains that such refund will be paid within a reasonable period of time following such re-issuance of the original membership, consistent with the Cliffs Clubs processing of accounts payable, and will be processed only on the basis of one (1) refund for every five (5) memberships issued by the Club from its previously unissued memberships within the same classification as the original membership.

I wish you the best in your future endeavors. If you have any questions regarding the procedures as outlined above, please call the Membership Office at 864-660-1160.

Kind regards,

*Laura Hobbs*


Laura Hobbs  
Membership Sales Executive

12/14/09 @ 11:15 Am (Hawaii) Spoke w/  
Megor - they need to sell four (4) Keep on Top  
more Family memberships in Walnut Cove  
5/25/2010 @ 9:23 Am (Hawaii) Spoke w/  
1/13/10 Need to sell one more Walnut Cove Family Membership

The Cliffs Golf and Country Clubs  
Membership Office  
3598 Highway 11, Travelers Rest, South Carolina 29690  
(864) 660-1100  
www.cliffscommunities.com

Greg Kemp

From: Leslie Susie [lsusie@cliffscommunities.com]  
 Sent: Thursday, January 08, 2009 9:45 AM  
 To: 'Greg Kemp'  
 Subject: The Cliffs Communities, Inc.

 <p>Cliffs Communities        10000 Cliffside Drive        Suite 100        Denver, CO 80231</p>						
<p>Mr. Greg Kemp        551 Lake Avenue        Honolulu, HI 96813</p>						
<p>Account No. 100000        Date: 01/08/09        Amount Due: \$225.55</p>						
Date	Ref.No.	Description	Amount	Service Charge	Tax	Total
		Balance Forward				240.39
Dec11/08	5017	Ref. 5017 - Payment Received - Greg Kemp				-240.39
Dec12/08	003082	Walnut Cove Dining Room - Food	140.05	25.21	11.16	176.42
Dec12/08	003082	Walnut Cove Dining Room - Wine	39.00	7.02	3.11	49.13
		Total For Greg Kemp	179.05	32.23	14.27	225.55
		Total:	179.05	32.23	14.27	225.55

On the date of this statement, the balance due is \$225.55. If you have any questions, please call (800) 371-1075 or email us at [cliffs@cliffscommunities.com](mailto:cliffs@cliffscommunities.com).  
 Payments for 2009 should be made by January 15, 2009. If you need more time, please contact us at (800) 371-1075.

Current Bal.	30 Days Past Due	60 Days Past Due	90 Days Past Due	Amount Due
0.00	225.55	0.00	0.00	225.55

Please call (800) 371-1075 or email us at [cliffs@cliffscommunities.com](mailto:cliffs@cliffscommunities.com) for more information.  
 A late fee of 1.5% will be applied on balances over 30 days.  
 A late fee of 1.5% will be applied on balances over 60 days.

CONFIDENTIAL COMMUNICATION: The information contained in this message may contain legally privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or duplication of this transmission is strictly prohibited. If you have received this communication in error, please notify us by telephone or email

Annie Kemp

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**From:** Magan Boggs <mboggs@cliffscommunities.com>  
**Sent:** Friday, July 01, 2011 7:44 AM  
**To:** Annie Kemp  
**Cc:** Greg Kemp  
**Subject:** RE: MEMBERSHIP REFUND \$25,000.00  
**Attachments:** Clubco Member Letter 5-26-11 FINAL.pdf

You are very welcome, Mrs. Kemp. They recently made a change in regards to the refund procedure. Please see the attached letter. We have currently sold four Walnut Cove Family Memberships, but due to one being financed the total initiation deposit required before your refund comes due is \$75,000.

I apologize for the delay.

Thanks,  
Magan

-----Original Message-----

**From:** Annie Kemp [<mailto:annie.kemp@kbxusa.com>]  
**Sent:** Thursday, June 30, 2011 7:07 PM  
**To:** Magan Boggs  
**Cc:** Greg Kemp  
**Subject:** MEMBERSHIP REFUND \$25,000.00

Hello Magan:

Thank you for your response.

When I last spoke with you on the telephone November 3, 2010 and February 28, 2011 The Cliffs only needed to sale one (1) more Walnut Cove Family Membership.

Please advise how it got to two from one? Thank you for your help in this matter.

Annie Kemp

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Annie Kemp  
550 Paiea Street, Suite 230 | Honolulu, HI 96819 Hawaii Direct: 808.237.3295 | Fax: 808.833.3046 | Cell: 808.220-6763  
[annie.kemp@kbxusa.com](mailto:annie.kemp@kbxusa.com)

-----Original Message-----

**From:** Magan Boggs [<mailto:mboggs@cliffscommunities.com>]  
**Sent:** Thursday, June 30, 2011 12:41 PM  
**To:** Annie Kemp  
**Subject:** RE: Voicemail

Hi Mrs. Kemp,

I apologize that you have not received an answer. I just returned from maternity leave last week and will be glad to assist.

You are still 1st in line and we need to sell two more Walnut Cove Family Memberships before your refund comes due.

If you need anything further, please let me know.

Thanks,  
Magan

---

[cid:84f1ea5f-4db4-424f-aebb-2616cb84dbcc]

Magan Boggs  
Membership Services Assistant  
864.371.1047 | office  
864.371.1538 | fax  
800.371.1000 | toll-free  
[mboggs@cliffscommunities.com](mailto:mboggs@cliffscommunities.com)<<mailto:mboggs@cliffscommunities.com>>  
[www.cliffscommunities.com](http://www.cliffscommunities.com)<<http://www.cliffscommunities.com>>

"World's Best International Development 2007,"  
CNBC International Property Awards

P Please consider the environment before printing this e-mail.

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From: Annie Kemp [<mailto:annie.kemp@kbxusa.com>]  
Sent: Tuesday, June 28, 2011 6:05 PM  
To: Magan Boggs  
Cc: Annie Kemp  
Subject: RE: Voicemail

Hello Magan:

Thank you for returning my telephone call. I have left 5-messages over the months and was wondering if you or the other folks at the Membership Office were still there.

What is the current status on the final \$25,000 payment for our canceled Family Golf Membership. I was told on November 1, 2009 we were in the number one position to receive this repayment - that is over 1 1/2 years ago...and it has been very difficult to get any information.

Will you let me know this week? I really appreciate your time and your assistance.

Thanks.

Annie Kemp

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Annie Kemp  
550 Paiea Street, Suite 230 | Honolulu, HI 96819 Hawaii Direct: 808.237.3295 | Fax: 808.833.3046 | Cell: 808.220-6763  
[annie.kemp@kbxusa.com](mailto:annie.kemp@kbxusa.com)<<mailto:annie.kemp@kbxusa.com>>

From: Magan Boggs [<mailto:mboggs@cliffscommunities.com>]  
Sent: Friday, June 24, 2011 5:26 AM  
To: 'annie@myhokua.com'  
Subject: Voicemail

Hi Mrs. Kemp,

I received your voicemail, but because of the time difference I thought I would email you. Please let me know how I can be of assistance.

Thanks,  
Magan

---

[cid:232111920@29062011-0F1C]

Magan Boggs  
Membership Services Assistant  
864.371.1047 | office  
864.371.1538 | fax  
800.371.1000 | toll-free  
[mboggs@cliffscommunities.com](mailto:mboggs@cliffscommunities.com)<mailto:mboggs@cliffscommunities.com>  
[www.cliffscommunities.com](http://www.cliffscommunities.com)<http://www.cliffscommunities.com/>  
<http://www.cliffscommunities.com/>  
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P Please consider the environment before printing this e-mail.



May 26, 2011

Dear Cliffs Members:

"I've been all over the world, and I've never seen any place like this." As Gary Player so eloquently stated a few months ago during a visit to Mountain Park, there is no place like The Cliffs. These communities are not only naturally beautiful, but are also uniquely positioned in the most sought after area in the country. No other development can match our vision, our abundant resources and certainly our incredible potential.

It is no secret that these are formidable times and it's going to take us a little longer than we had hoped to reach this potential we know is within our grasp. We have no doubt we will get there, we just need to be flexible with our operational plan going forward. Driven by the slower than expected rate of company real estate sales the last couple of years, the investor members of the ClubCo Board of Directors and the Advisory Board have been working diligently with the ClubCo Executive Committee to come up with some key adjustments to a few of our traditional and long-held business principles, while protecting the brand and the lifestyle of The Cliffs. While some of these changes may be temporary, we remain committed to their implementation and confident in the positive reaction we expect from you, our valued Members.

The adjustments are as follows:

**Membership Restoration Program**

The first effort aimed at Membership growth is a plan to "win back" Members who have resigned their Memberships. For many reasons over the past four years, not the least of which was the economic crisis of 2008, there was an acceleration of Membership resignations. In the intervening time, many people having recovered from the economic turmoil, are reconsidering their futures and have stated a desire to resume their relationships with the Clubs. Likewise, there are resigned Members who again desire to make available a Golf Membership with the resale of their property. In the past the Membership Plan did not accommodate Membership restoration in any practical way. The refined elements of the plan are:

- ClubCo will offer reinstatement of the Membership resigned by Members who are in the priority waiting list for Initiation Deposit refunds as of May 26, 2011.
- The offer for Membership restoration will be made available for a limited time of ninety (90) days effective June 1, 2011 until August 31, 2011.
- Upon the restoration of the Membership, the restored Member will resume paying full dues, food and beverage minimums, service charges or any other miscellaneous fees that current Members pay and will receive all of the benefits of such Membership.
- A restored Membership will have the option to either:
  - Resume dues payments and customary fees while maintaining their position on the resigned priority waiting list until a subsequent resignation.
  - Reestablish transferability of the Membership upon the sale of their property if they resume dues payments, remove their name from the resigned priority waiting list and agree to pay a transfer fee of \$20,000 upon sale of their property and reissuance of the Membership.
- Membership access will be maintained for as long as Member accounts are current.



While unprecedented, this change helps reduce attrition, encourages transference of Memberships and helps eliminate unreasonable pressure on dues levels. This need is most pronounced in communities where there are few remaining developer lots that allow new Memberships to be issued.

#### Member Loyalty Program

Over the past years, and more so over the last three, there have been several requests for the creation of Membership plan options for Members experiencing unforeseen extenuating circumstances. Such crises may jeopardize Membership status and cause anxiety for the Member. In an effort to provide more options for these Members and slow further Membership attrition, the club will offer the following program effective June 1, 2011:

- Upon notice of the death or long-term disability of a Member or Member's spouse that creates a family hardship, the Member will have the opportunity to apply for the Member Loyalty Program.
- Upon the receipt of an application in writing, the applying Member(s) will be interviewed in confidence by Club management. Acceptance into the program will be at the sole discretion of Club management and subject to ClubCo Board approval.
- Upon acceptance to the program, the Member will pay 50% of their dues rate with the balance being applied toward the reduction of their initiation deposit liability.
- The number of participants in the program will be subject to a cap of 1% of the total Membership enrolled at the respective Clubs. Applicants will be considered on a first-come, first-served basis. In the event that the cap is reached, a wait list will be formed in the order that applications are received.
- In the event of the initiation deposit of the enrolled Member becoming depleted, the Membership held will return to full dues-paying status.

This program mirrors closely the Senior Membership Program initiated in 2011 but participation in these programs is mutually exclusive.

#### Refund Policy Amendment

For the last few years, the Initiation Deposit Refund policy has been "three-in-and-one-out" in our older, more absorbed communities and "five-in-and-one-out" at our newer communities. Predating that policy, the Club has and does provide financing for Membership Initiation Deposits. As such, the employment of units of Membership as the sole determinate criteria for refunds can create a cash repayment shortfall if a series of Membership transactions occur wherein refunds outpace incoming deposits. In an effort to further protect the outflows of cash from ClubCo, Management has agreed to modify the refund policy, effective June 1, 2011, as follows:

- The Club will require a multiplier of 3x or 5x of the then prevailing initiation deposit amount to be received in full prior to refunding the first position in the priority waiting list.
- At Clubs in communities where there is greater than 85% absorption of lots platted and or future lots to be platted, the Club will require a minimum multiplier of 3x of the then prevailing initiation deposit amount to be received in full before a refund is due.
- At Clubs in communities where there is less than 85% absorption of lots platted and or future lots to be platted, the Club will require a minimum multiplier of 5x of the then prevailing initiation deposit amount to be received in full before a refund is due.
- All Membership transactions will be applied to the minimum dollar threshold required before a refund is paid.
- A Membership is considered to be issued when the entire initiation deposit is received by the Club.

#### Requirement for One-Year Notice of Resignation

The policy of requiring a Member's advance notice of resignation, and dues obligation continuing until the date of resignation is a common practice in the club industry and not foreign to most of our Members. In a survey of 14 comparable clubs in our region, 93% require dues to be paid for some portion of time until the effective date of such notice of resignation. Some of the clubs surveyed were Biltmore Forest, Cullasaja, Mountaintop, Champion Hills, and Wade Hampton; all of which embrace this policy. As discussed earlier, the foremost mission of Management and the ClubCo Board is to protect the company from negative cash flow where possible. As this is such a common and time-

tested policy existing purely to minimize financial exposure, the Cliffs Clubs will also adopt this policy. The policy will be applied as follows:

- As of May 25, 2011, Members will be required to provide an advance notification of twelve months prior to their resignation and to continue to pay dues to the date of resignation.
- The resigned Member's position on the refund priority waiting list will be effective upon notice of resignation as received in writing in the Membership office.
- Any dues obligation will cease upon sale of the Member's real estate or twelve months of dues paid; whichever comes first.

**Multiple Membership Dues Increase and Leased Associate Golf Memberships**

In 2009, Members who possessed more than one Golf Membership began paying an additional \$1,000 per Membership; capped at \$2,000 per year. These dues will increase as follows beginning January 1, 2012:

- 2012: \$2,000 per Golf Membership not to exceed \$4,000 per year
- 2013: \$3,000 per Golf Membership not to exceed \$6,000 per year
- 2014: \$4,000 per Golf Membership not to exceed \$8,000 per year

In an effort to allow Members with multiple Memberships to eliminate such costs, and to grow Membership rolls and enjoy the attending revenues from dues and fees, the Club will begin to make available recallable Leased Associate Golf Memberships to non-property owners. The number of Leased Associate Golf Memberships will not exceed the number of multiple Memberships held by existing property owners; currently at 263. Members who own more than one Golf Membership are encouraged to refer applicants for a Leased Associate Golf Membership. The details are as follows:

- Any multiple Golf Membership owners who refer a Leased Associate Golf Member will have all dues charges for their additional Memberships waived.
- A Leased Associate Golf Member would be required to pay an initiation fee of \$5,000 in addition to Golf Membership dues.
- A Leased Associate Golf Member will be subject to any food minimums, service charges and any fees or charges required of Golf Members.
- A Leased Associate Golf Member would be guaranteed Membership for a minimum of three years before Membership would be eligible for recall.
- The Club will assign home-club designation based on availability and volume of Member usage.
- If a Leased Associate Golf Member becomes a property owner, any initiation fees paid may be credited towards a Membership initiation deposit.
- The Club will market Leased Associate Golf Memberships in addition to the referrals received from multiple Membership owners.
- Leased Associate Golf Members must be non-property owners.
- A Leased Associate Golf Member who purchases property and does not exercise their option to acquire a membership with that real estate will have their golf Membership revoked thirty days after the property closing.
- Leased Associate Golf Members referred by the Membership Office will be assigned by the seniority of multiple Membership property owners and the obligation of the leasing Member to payment of multiple Membership dues would be relieved.

This program will take effect on June 1, 2011.

**Predictable Dues**

To control Member costs going forward, the Management team and the ClubCo Board have committed to limiting dues increases to a maximum of 4% annually for 2012 and 2013.

**Food and Beverage Minimum Requirements**

In an effort to improve patronage of the Club dining facilities, Club Management and the ClubCo Board have agreed to apply the purchase of alcoholic beverages toward the minimum food and beverage spending requirement. We are reducing the required food minimum amount for non-resident Members as well.

Effective July 1, 2011:

- Alcoholic beverages consumed on Club premises will apply as credit toward the annual food minimum.
- Retail non-prepared food, wine, beer and wine locker sales will not apply toward the minimum as is current policy.
- Food and Beverage Minimums for resident Members is unchanged at \$1,200 per annum. Non-resident Food and Beverage Minimum will be reduced to \$600 per annum.

**Elimination of 18% Gratuity for Members Subject to Food and Beverage Minimums**

Over the past few years, many club advisory committees have had discussions questioning the efficacy of the mandatory 18% food and beverage gratuity as opposed to a uniformly applied Service Charge. We have concluded that this is the appropriate strategy, and the program will take effect on July 1, 2011 as follows:

- The Clubs will no longer apply 18% gratuity charges to restaurant food and beverage services.
- An annualized service charge will be assessed at the rate of \$400 for residents; \$200 for non-residents and will be billed in monthly installments.
- The service charge will be levied only to Members who are subject to food minimums. All others will continue to be charged an 18% service charge.
- The restaurant chit will clearly state that there is no tip required, however an extra (write-in) gratuity line will be available to reward exemplary service at the Member's discretion. The entire amount of write-in tips goes to the serving staff member.
- The Club will continue to apply a 20% service charge for banquet functions and private parties.
- Servers will continue to receive compensation from the service charges in relation to their sales portion of F&B sales to reward individual performance as is consistent with our existing policy.

There are additional actions being implemented along with the modifications discussed above. First, a Membership Salesperson will be recruited to lead efforts for Membership sales in all forms. This is a departure from prior management structures in that new Memberships will no longer rely entirely upon real estate transactions and will require an ongoing sales effort. Second, owners of property with no Membership will be approached by the Club Membership Salesperson to solicit Family and Wellness Memberships. Lastly, the Board, Advisors and management have agreed on some further cost reductions that will occur over the next month. These include adjusting hours of operation, reevaluating some existing programming and announcing new offerings. Again, the test for these reductions is the realization of meaningful savings while not diluting the brand standard of The Cliffs Golf and Country Clubs.

Most of us agree with Gary Player. The Cliffs is a special place. We are working hard to be able to share it with a lot more people in the years ahead. We believe that these adjustments are just what we need at this time, but rest assured, we will continue to review our strategies and tactics going forward.

Thank you for joining us in this effort. With your support, knowledge, skill and experience, brighter days are definitely ahead.

Beginning the week of June 6, 2011, the ClubCo Management Team, Independent Directors and the Chairperson of the Advisory Board will conduct Town Hall meetings at all of the Clubs. This is the continuation of our efforts to update the Membership on the latest news and challenges concerning ClubCo and The Cliffs Communities Incorporated.

The schedule is:

Friday, June 3 – Valley at Valley Clubhouse, 3:00 pm  
Monday, June 6 – Keowee Springs at Keowee Vineyards Clubhouse, 1:00 pm  
Monday, June 6 – Keowee Vineyards at Keowee Vineyards Clubhouse, 4:30 pm  
Tuesday, June 7 – Walnut Cove and High Carolina at Walnut Cove Tavern, 4:00 pm  
Wednesday, June 8 – Keowee Falls at Keowee Falls Clubhouse, 4:30 pm  
Thursday, June 9 – Mountain Park at Valley Clubhouse, 1:00 pm  
Monday, June 13 – Glassy at Glassy Clubhouse, 4:00 pm

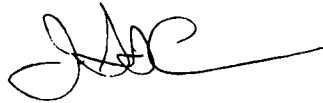
The meetings will be hosted online for those Members not able to attend in person. An RSVP will be required for each Member participating in person, by telephone or online. Please contact the Concierge at the Host Club for the meeting you will be attending and indicate whether you will be participating in person, by telephone or online.

We look forward to seeing you there.

Best regards,



Timothy P. Cherry  
*Chairman of the Board of Directors*



J. Scott Carlton  
*President*

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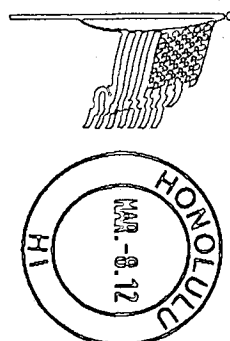
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