

UNITED STATES BANKRUPTCY COURT , District of South Carolina		PROOF OF CLAIM						
Name of Debtor: The Cliffs at Glassy Golf & Country Club, LLC, et al		Case Number: 12-01234						
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): Robert A. Scharlach		COURT USE ONLY <input type="checkbox"/> Check this box if this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____ <input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars.						
Name and address where notices should be sent: Robert A. Scharlach 14903 Live Oak Springs Canyon Road Canyon Country, CA 91387 Telephone number: (661) 299-1501 email: rscharlach@kpmg.com								
Name and address where payment should be sent (if different from above): Telephone number: email:								
1. Amount of Claim as of Date Case Filed: \$ <u>75,000.00</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>Membership deposit for full golf membership</u> (See instruction #2)								
3. Last four digits of any number by which creditor identifies debtor: S 3 4 9	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.								
<table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507 (a)(1)(A) or (a)(1)(B). </td> <td style="width: 33%; vertical-align: top;"> <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). </td> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. § 507 (a)(5). </td> </tr> <tr> <td style="vertical-align: top;"> <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). </td> <td style="vertical-align: top;"> <input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. § 507 (a)(8). </td> <td style="vertical-align: top;"> <input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. § 507 (a)(). </td> </tr> </table>			<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).	<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)().
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*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)								



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 3004.) (See Bankruptcy Rule 3005.)

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: Robert A. Scharlach

Title: _____

Company: _____

Address and telephone number (if different from notice address above): _____

Robert A. Scharlach April 9, 2012
(Signature) (Date)

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.

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 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.

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) 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.

UNITED STATES BANKRUPTCY COURT , District of South Carolina		PROOF OF CLAIM
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If the documents are not available, please explain:

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Check the appropriate box.

- ☒ I am the creditor. ☐ I am the creditor's authorized agent. ☐ I am the trustee, or the debtor, ☐ I am a guarantor, surety, indorser, or other codebtor.
(Attach copy of power of attorney, if any.) or their authorized agent. (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: Robert A. Scharlach

Title: _____

Company: _____

Address and telephone number (if different from notice address above): _____

Robert A. Scharlach April 9, 2012
(Signature) (Date)

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.

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

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Unsecured Claim

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

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ADDENDUM TO SALES AGREEMENT

This sales agreement by and between Robert Scharlach, Purchaser, and the Cliffs at Glassy, Inc., seller, is hereby amended as follows:

- Both Seller and Purchaser acknowledge that it is the intent of the Purchaser to acquire a Full Golf Membership in the Cliffs Golf and Country Club at *The Cliffs at Glassy*. The required initiation deposit for the Full Golf Membership is Seventy-five thousand dollars (\$75,000.00).
 - 1) At the closing of Lot 45, Phase Sunset Pointe in *The Cliffs at Glassy*, Purchaser will pay to the Cliffs an initial installment of Twenty-five thousand dollars (\$25,000).
 - 2) On August 1st, 2004 Purchaser will pay the balance of Fifty thousand dollars (\$50,000).
 - 3) By subscribing to the payment schedule identified above, Purchaser will incur no financing or interest expenses.
 - 4) Purchaser will receive a \$15,000 prepaid dues credit to commence with the final installment on August 1st, 2004 and activation of membership.

Robert A. Scharlach
Purchaser

January 7, 2004
Date

Purchaser

Date



ADDENDUM TO SALES AGREEMENT

Section Sunset Point, Lot 45

The sales agreement dated January 7th, 2004 between Robert Scharlach, Purchaser, and The Cliffs at Glassy, Inc., Seller, is hereby amended as follows:

Purchase price includes a Full Cliffs Membership at \$75,000.

Seller to pay on behalf of the buyer, a \$15,000 dues credit on the buyer's club account to be applied at closing.

<u>Robert A. Scharlach</u>	<u>1-7-04</u>	<u>[Signature]</u>	<u>1/19/04</u>
Purchaser	Date	Seller	Date
_____	_____	_____	_____
Purchaser	Date	Seller	Date



For Office Use

Purchaser: _____

File / Control No. _____

THE CLIFFS AT GLASSY REAL ESTATE PURCHASE AGREEMENT

THIS REAL ESTATE PURCHASE AGREEMENT (the "Agreement") made by and between THE CLIFFS AT GLASSY, INC., a South Carolina corporation (the "Seller"), whose mailing address is as set forth on page 9, and the below-named purchaser identified in Part I hereof, and when used herein, the terms "you" and "your" will mean the below identified purchaser entering into this Agreement, and "we," "us" and "our" will generally mean Seller, unless the context clearly refers to both the Seller and the below subscribing purchaser.

Part I Identifications

A. The Purchaser:

Name: Robert Schachlach

Name: _____ (collectively, if applicable, the "Purchaser")

Address: 14903 Live Oak Springs Canyon Rd.
Canyon Country, CA 91387Telephone (Work): 661-299-1501Telephone (Home): 661-299-1501FAX Number: 213-747-2815

Soc. Sec. No: _____

E-mail Address: Coach.scher@aol.com

Soc. Sec. No: _____

B. The Lot and What is Included in Price. The property to be purchased: Section Sunset Pointe Lot 45 (the "Lot") at the Cliffs at Glassy.

The Price of your Lot as set forth in Paragraph F of this Part I does not include any amount for a membership in the Golf and Country Club unless you have executed a separate agreement or addendum hereto, and then only in accordance with the terms and conditions therein provided. You acknowledge that use of the Club's facilities are reserved to its members in accordance with the use rights conferred by the Club Membership Plan for the categories and classifications of membership offered. See Section 6 of Part II on page 6 We do not operate the Club. It is operated by one of our affiliates.

Check one of the following:

☒ You wish to acquire a membership in the Club, either the category conferring golf membership privileges or a Social Athletic Membership, and wish to include the membership deposit in the Purchase Price, and you have attached hereto a signed Membership Inclusion Addendum. You acknowledge that you are guaranteed the availability of a golf membership, as further described in Section 6 of Part II below, only if you acquire one within 30 days following your Closing.

☐ You do not wish to acquire a membership in the Club at this time. You understand that membership is subject to availability at the time you may wish to acquire one, and is not guaranteed.

C. Closing Date. The "Closing Date" is on or before February 16, 2004.

D. Real Estate Agent and Referral/Co-Broker. Brad Childs

E. Escrow Agent. The "Escrow Agent" is Jeffrey H. Gray, P.C., whose address is set forth in Section 10.5 of Part II below; and all deposits to Escrow Agent should be made payable to The Jeffrey H. Gray, P.C. Trust Account.

F. Payment of Purchase Price. You will pay an amount for your Lot, hereinafter referred to as the "Purchase Price," calculated and in installments as follows:

Total Purchase Price: \$ 398,900

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

\$ 2,500

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

\$ N/A

(iii) Balance at Closing. The balance of the purchase price (not including all of your closing costs, prepaids, and escrow deposits required hereunder) in cash or certified funds

\$ 396,400

G. Other Charges and Costs. An estimate of other charges and costs you will incur resulting from your buying the Lot are set forth in the Cost Sheet of the Property Report referred to in Section 4.1 of Part II of this Agreement. Estimates of some of those charges and costs, which may change at any time, include:

(i) Architectural Review Fee (When You Submit Your House Plans)

\$ 450.00

(ii) Septic Tank Permit Fee (When You Request Installation Permit)

\$ 105.00

H. Association Assessments. You do hereby acknowledge that the following assessments and working capital contributions applicable to the Lot are due from you at the Closing:

(i) Cliffs at Glassy Community Association Assessments (Prorated to the Closing Date)

\$ 700.00 per Year

(ii) Cliffs at Glassy Community Association Working Capital Payable at Closing.

\$ 5116.66

I. **Financing.** With respect to Section 2.2 of Part II of this Agreement, the following checked provision will apply to your financing of the purchase of the Lot

- ☒ **Financing Contingency.** The purchase of the Lot by you is contingent upon you qualifying for and obtaining a first mortgage loan on terms and conditions set forth in Section 2.2 of not more than 100 % of the Purchase Price of the Lot. You covenant that, once having obtained preliminary mortgage loan approval, you will take no deliberate action that would cause your financial condition to deteriorate to the extent that the application for a mortgage loan would be subsequently denied.

For Seller

For Purchaser

- ☐ **No Financing Contingency.** You do not intend to apply for mortgage financing and confirm that financing is not a contingency of the Agreement and your obligation to close the purchase of the Lot for the Purchase Price herein provided.

For Seller

For Purchaser

J. **Name in Which to Title Property.** Insert the name or name to which you wish title to the Lot to be deeded:

Robert A. Scharlach

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, you agree to buy and we agree to sell the Lot, conditioned upon there having not been a sale to a third party prior to the receipt of this Agreement by us, properly executed by you, together with the Earnest Money Deposit as provided in Part I, and execution hereof by us.

1. **The Purchase Price.** You will pay as the full purchase price for the Lot the Purchase Price of the Lot set forth in Paragraph F of Part I of this Agreement.

1.1 **Earnest Money Deposit.** The Escrow Agent will receive the Earnest Money Deposit set forth in Paragraph F(1) 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 your default (in which event the Earnest Money Deposit will be paid over to us as herein provided), all of the Earnest Money Deposit will be refunded to you without interest.

1.2 **Payments at Closing.** The Purchase Price, together with all of your Closing costs, prepaids, and Closing escrow deposits, less the sum of your earnest money deposit, will be paid by you in cash or by certified, collected funds at the Closing hereinafter referred to.

2. **Financing**

2.1 **Your Responsibility.** You will be 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, we will not be deemed to have assumed any responsibility for obtaining such financing for you or to represent or warrant that such financing will be available to you.

2.2 **Financing Contingency.** If you have indicated in Paragraph H of Part I that this Agreement is contingent upon you securing institutional financing in an amount not more than that percentage of the Purchase Price indicated in Paragraph H at market interest rate and terms, you agree to make all reasonable efforts to secure such financing. You

must receive a loan commitment or loan pre-qualification documentation in your favor, which meets the requirements of this Agreement, and a copy must be delivered to us within thirty (30) days following the Effective Date hereof. You agree that within ten (10) days from the date of execution of this Agreement, you will, in order to obtain a loan commitment, in good faith complete and submit required application forms to a lending institution or mortgage company (hereinafter "Lender") of your choice (making available all pertinent information as may be required or requested by the Lender) and will execute all documents necessary to enable the Lender to verify the information provided by you. You hereby authorize the Lender to furnish any of the supplied information to us if the Lender refuses to make you a loan in order that we may, at our option, aid you in obtaining financing. You hereby agree to inform us of the name and address of your Lender and the date of application and to keep us timely informed of the acceptance or rejection of your financing application.

(a) **Documented Ability to Close Without Financing.** Upon our request, you will provide us a bank reference of your financial capability to close the Lot without a financing contingency. You will deliver such requested information within ten (10) business days following our written request for it. If you fail to provide such requested information, or to provide such supplemental information thereto as we will reasonably require to satisfy ourselves, as well as our development lenders, of your financial capability to Close, we will have the right at any time thereafter to declare this Agreement null and void and to direct the Escrow Agent to refund to you, without interest, the Earnest Money Deposit.

2.3 Failure to Secure Lender Commitment. If we do not receive a copy of a loan commitment or loan pre-qualification documentation in your favor which meets the requirements of this Agreement within thirty (30) days following the Effective Date of this Agreement, either of which being conclusive satisfaction of your financing contingency, then at any time until we do receive it, we will have the right to terminate this Agreement, and in such event, the Earnest Money Deposit will be promptly returned to you; provided, however, that if you are then in default hereunder, no refund will be due you and we may pursue all remedies available hereunder. If you are unable to secure a loan commitment after making reasonable efforts, as required by this Agreement, and if you are not in default hereunder, you may terminate this Agreement and receive a refund of the Earnest Money Deposit.

3. Our Contingencies.

3.1 Contingencies to Closing. If we have attached to this Agreement a "Glassy Contingency Addendum," or any other writing of like import signed or initialed by both of us, our obligations under this Agreement will be contingent upon the satisfaction of the conditions and requirements set forth in such writing.

3.2 Rights of Termination. In the event a contingency is set forth in an addendum or other writing, as referenced in Section 3.1, and it is not satisfied on or before the expiration of the term set forth therein, both of us will each have the right, at our respective option, to terminate this Agreement by delivery of written notice to the other; provided that, if you elect to exercise such right, you must deliver notice to us of your intent to terminate this Agreement, and we will thereafter have five (5) business days within which to waive a said contingency.

4. Completion of Infrastructure Improvements

4.1 Completion of Infrastructure. We agree to provide roads and water service, and public utilities will provide electrical service and telephone service at no cost to you, as outlined in our Department of Housing and Urban Development ("HUD") Property Report made effective November 18, 2003, which is incorporated herein and made a part hereof by this reference. In all events, we agree that we will complete the water and road infrastructure to your 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 your residence; and (b), in the case of paved roads to your Lot, within sixty (60) days following your notice to us that you have received a final certificate of occupancy for your residence, whichever respective date occurs first. We will, at our sole cost and expense, provide on-site water for construction of your residence if water service is not then available at your Lot. Our 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 our 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, we will proceed to completion within a reasonable time after the abatement of the event causing delay. In case the survey by which we will convey your Lot to you required bonding pursuant to Greenville County ordinance, we have posted a cash or surety bond or an irrevocable letter of credit issued on our behalf to Greenville County, South Carolina, guaranteeing the completion of those roads and other infrastructure requiring bonding. If the approval of the survey by which we will convey your Lot to you did not require bonding by Greenville County ordinance, we have established one or more completion escrow accounts to assure completion of the water service and roads to the lots shown on that survey. We reserve the right to furnish to you 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. The paved roads to lots within Cliffs Valley and Cliffs Valley North will be maintained by and at the cost of the Cliffs Valley Community Association when completed by us. The paved roads to lots within the Cliffs at Glassy will be maintained by and at the cost of the Cliffs Community Association at Glassy, Inc. when completed by us. Also, with respect to Lots located within the Cliffs at Glassy and Cliffs Valley North above 1,400 feet elevation, we anticipate transferring ownership of the water supply systems to Blue Ridge Rural Water Service Company, Inc. With respect to Lot located within Cliffs Valley and Cliffs Valley North below 1,400 feet elevation, we anticipate transferring ownership of the water supply systems to Greenville Water Company. If conveyance of a water system is not conveyed to a private or public utility as aforesaid, we may convey the same to a community association. Upon completion and transfer of ownership, we will be relieved of all further responsibility for the water system since it will then be maintained by the transferee.

(a) **Installation of Infrastructure.** When we talk about completing the installation of roads and water service, as well as the installation of electrical and telephone services, we covenant these utilities and improvements will be brought to the boundary of your Lot, not within your Lot lines to your home. Therefore, all costs to connect such utilities or improvements to your home will be your sole obligation, and the electric utility company charges a set-up fee in conjunction with setting utility meters.

(b) **Septic System.** You will be responsible for installing and maintaining a septic tank system on the Lot when a dwelling is built on it. You 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 Greenville County Health Department for the installation of an individual sewage disposal system, and if we are then not able to resolve the issue within sixty (60) days following notice thereof, we will refund to you the Purchase Price and you will convey the Lot back to us, and thereafter, each of us will be fully released from any further liability to the other.

4.2 Completion of Other Infrastructure; Conveyance or Turnover to the Cliffs at Glassy Community Association. In addition to the infrastructure we are obligated to complete, as provided in Section 4.1 above, we agree to complete construction and installation of drainage systems and main electrical power feeds to the project, which will allow those public utilities serving your Lot to extend service to your Lot; postal service delivery structures, and manned and unmanned gate houses accessing the project.

5. The Glassy Declaration.

5.1 Cliffs at Glassy Community Association. The Lot will be conveyed subject to the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Cliffs at Glassy recorded in the Office of Register of Deeds for Greenville County, as the same may be amended from time to time (herein, sometimes referred to as the "Glassy Declaration"), which includes the obligation that you pay regular and special assessments when levied for the common facilities and services of the Cliffs at Glassy Community Association, Inc. (herein, sometimes referred to as the "Glassy Association") commencing with the date we convey title to the Lot. The amount of the annual assessment will be set, and may be increased each year, by the Board of Directors of the Glassy Association, as set forth in the Glassy Declaration. We as Declarant reserve the right to modify the Glassy Declaration, as well as the Articles of Incorporation and Bylaws of the Glassy Association, in any manner provided in those documents. You hereby acknowledge having received a copy of the recorded or current draft Glassy Declaration, with appended Bylaws of the Glassy Association. You acknowledge that the Glassy Declaration and appended Bylaws may be changed prior to the Closing, and such changes or amendments shall not affect the rights and liabilities of either of us, or be a cause or reason for termination or revision of this Agreement. Furthermore, you acknowledge that the Glassy Declaration allows us to add other property to

Cliffs at Glassy by supplemental declaration to the Glassy Declaration, but that we are under no obligation to do so and the Cliffs at Glassy project may not include any other properties than those in the subdivision of which yours is a part and the other properties currently subject to the Glassy Declaration.

5.2 Architectural Review. You hereby acknowledge that any improvement to the Lot, including landscape improvements, will be subject to the architectural guidelines established, from time to time, pursuant to the Glassy Declaration, and the prior written approval thereof by the architectural review committee established thereunder. We have no responsibility for ensuring the structural integrity or soundness of approved construction or modifications, or for ensuring compliance with building codes and other governmental requirements. You and your builder will be solely responsible for the completion of construction of all improvements on your Lot and for proper drainage during and after house construction. You will be responsible for paying a Four Hundred Fifty and no/100ths (\$450.00) fee to the NCC for review and approval, prior to construction, of all construction and design plans with respect to any improvements to be placed on your Lot. You or your contractor will also be responsible for posting a minimum bond of \$1,000 prior to commencing construction.

5.3 Size of Residence. You also acknowledge that the Glassy Declaration requires minimum square footages for residences constructed within Cliffs at Glassy based upon the area in which your Lot is located. See Section 11.8 of the Glassy Declaration with respect to the application of such minimums.

5.4 Private Recreational Facilities. Private recreational facilities exist and are privately owned and operated on a commercial basis, as a private membership club. You acknowledge that use of the private recreational facility is subject to payment of fees and compliance with rules established by the owner of such facility, that purchase of the Lot does not guarantee or vest in you any right to membership or the right to use a private facility, and that no property owner, including you, will acquire any interest in any private facility by virtue of taking title to the Lot. You acknowledge that no representations or warranties, either verbal or written, have been or are made by the us or any other person that a private facility will become a common area (as defined in the Glassy Declaration) of the Glassy Association or any other owners association, or that ownership of or use rights in a private facility will be conferred by virtue of purchasing the Lot.

6. The Golf & Country Club. You hereby acknowledge the plan of development for the Cliffs at Glassy includes the operation of a commercial, private golf and country club facility adjacent to or within the boundaries of the Cliffs at Glassy (sometimes hereinafter, the "Club"). You further acknowledge that the Club's recreational facilities are owned by a related third party as a commercial business, and not as a non-profit enterprise, that you will have a license to use the facilities as herein described if you acquire a membership to do so, and that neither you nor any property owner association of which you may be a member has or will receive any ownership interest in the Club's facilities by virtue of your 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 you wish to become a member, you should take the time to read the entire membership plan prior to acquiring a membership.

6.1 Memberships; Golf Privileges. There are several categories of membership offered in the Club. The ability to acquire permanent golf privileges is reserved for those who elect to acquire a Full Golf Membership. Acquisition of a Full Golf Membership is subject to availability at the time you may wish to acquire one, but it is guaranteed to be available to you if it is acquired before the expiration of thirty (30) days following your Closing. Under the Club membership plan, a buyer is guaranteed the availability of the Full Golf Membership if the buyer purchases from our previously unsold inventory and the buyer's application and membership deposit are received within thirty (30) days following the buyer's closing with us; or if the buyer purchases a re-sale property from a seller who is the holder of a Full Golf Membership and submits the completed application and required membership deposit at the re-sale closing of the Cliffs property. That means if you want the buyer of your Cliffs at Glassy property in a re-sale transaction to be guaranteed the ability to acquire a Full Golf Membership following your membership resignation and the Club's re-issuance of the resigned membership to your buyer at your closing pursuant to the requirements of the Club's membership plan, you will need to acquire the Full Golf Membership, and if you delay acquisition beyond the thirty (30) -day period, we cannot guarantee a Full Golf Membership's availability when you do elect to acquire one. If you wish to acquire the

membership that is guaranteed to be available to you for the limited period ending 30 days following Closing, it is recommended that you contract to acquire one by separate agreement and complete that process within 30 days following your Closing or pursuant to a Membership Inclusion Addendum hereto providing insurance of a membership at your Lot Closing.

6.2 Membership Resignation. The governing documents of the Club require that upon resale of your Lot, all of your memberships in the Club must be resigned in order for membership to be available to your Lot buyer. When you sell your Lot, and so long as you are a Club member in good standing, you will be entitled to a refund equal to one hundred percent (100%) of the initiation deposit you made for membership in the Club. In addition, your Lot's buyer will have to acquire a membership directly from the Club at the then prevailing rates for the membership desired, which amount may be more or less than the deposit you make. As previously indicated, only a Full Golf Membership is guaranteed to be available to your re-sale purchaser only if you acquire a Cliffs Full Golf Membership at your Lot Closing or within 30 days following your Closing. See Section 6.1 above.

7. Closing. Subject to the satisfaction of all contingencies incorporated herein pursuant to Section 3 above, the sale and purchase contemplated by this Agreement will be closed by delivery to you of a properly executed and acknowledged general warranty deed, in proper, recordable form, in exchange for payment to us of the Purchase Price as hereinabove provided. Notwithstanding any provisions herein to the contrary, the legal description for your 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").

7.1 Deed to Lot. The general warranty deed will convey to you 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, the following:

- (a) Taxes and assessments not yet due.
- (b) All special easements, restrictions and conditions shown and noted on the Plat.
- (c) Licenses and easements for utilities serving the property.
- (d) The Glassy Declaration and the Bylaws of the Glassy Association.
- (e) Covenant that the Lot conveyed, including any dwelling thereon or to be built thereon, will not be used for or subject to any type of Time Sharing Plan under South Carolina law, or any subsequent laws of this State dealing with that or similar type of ownership, or any time share exchange program which uses the Lot and any dwelling thereon not otherwise registered as a Time Sharing Plan in its program, without our prior written consent, which we may grant or deny in whole, or may grant to some and deny to others, in our sole discretion.
- (f) Greenville County, South Carolina ordinances, and applicable building codes and development standards, if any;
- (g) Any 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 your 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), we will be deemed to be able to convey a marketable title in fee simple. If, at the Closing, we cannot deliver a general warranty deed to the Lot subject to the exceptions above, we will have the right to extend the Closing for an additional thirty (30) days to comply with the terms of the title policy.

7.2 Closing Date and Time. Closing will be conducted in the manner provided hereinafter on the date set forth in Paragraph C of Part I, at the location set forth in Section 7.3 and at a time selected by us. Provided that we have fulfilled all of our obligations to you pursuant to this Agreement, your failure or refusal to close at the time, place and date provided may, at our option, be deemed a default by you.

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7.3 Closing Location. Closing of this transaction will take place at such place as is designated by us within thirty (30) days following the Effective Date hereof. Tender of the deed by us and the performance of your requirements will be made at said place. In no event will delivery of the deed exceed one hundred eighty (180) days from the date of your execution of this Agreement, upon compliance with the terms of this Agreement. The Closing may take place in escrow. You will not be required to attend the Closing, but may, instead, participate by making all deliveries required to be made by you by mail to the Closing attorney prior to the Closing date, provided that all funds to be received from you on the Closing date, whether in person or by mail, must be in cash or certified, collected funds.

7.4 Closing Costs. We will pay for the preparation of the deed and the deed transfer fee required to record the deed, and our own attorney's fees. You 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 your own attorney's fees. Assessments and a two-months, working capital contributions shall also be due and payable by you under the Glassy Declaration, the amounts of which being set forth in Paragraph H of Part I hereof.

(a) Prorations at Closing. Taxes and assessments will be prorated between the two of us as of the date of closing, based upon information then available. We both agree to adjust any such prorations following the Closing, as may be required by receipt of final bills therefor.

8. Defaults.

8.1 Default by You. In the event you default in the performance of any of your obligations pursuant to this Agreement and we are not in default, we will have the right to specifically enforce this Agreement according to its terms and/or to pursue any and all other remedies available to us at law or in equity, or we will, at our election, be released from any further obligations to you pursuant to this Agreement and in such event will be entitled to retain the Earnest Money Deposit as agreed liquidated damages, it being the intention and agreement of the two of us that the amount of such Earnest Money Deposit will act as a fair measure of compensation for actual damages incurred by us as a result of your default. However, notwithstanding the provisions of this Section 8.1, we expressly agree that we will give you written notification of your default or breach of contract and the opportunity to correct the default or breach within twenty (20) days following the receipt of our notice.

8.2 Default by Us. If we default in the performance of any of our 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 us by you, your sole remedy will be to rescind this Agreement and receive the immediate return of your Earnest Money Deposit, pay you your reasonable attorney's fees for any title examination by your attorney and for such other reasonable closing expenses which we agree, in our sole discretion, to pay; provided, however, that in the event of a nonmaterial breach of any term or condition of this Agreement, your remedies will not include termination of this Agreement.

9. Real Estate Commission. It is understood that we have by separate agreement appointed Cliffs Real Estate, Inc. as the exclusive real estate agent for sales of Lots within Cliffs at Glassy. You warrant and represent that, except as set forth in Paragraph D on Page 2 hereof to the contrary, you have not dealt with any other real estate agent who may be entitled to claim a real estate commission in this transaction.

10. Miscellaneous.

10.1 Our Reserved Easements; Construction Setbacks. You acknowledge that we reserve the right to grant and/or reserve, in our reasonable discretion, various easements for ingress and egress, maintenance and use on and over the Lot and the remainder of the Cliffs at Glassy development. No such easement will materially reduce the value or the usefulness of your Lot. Furthermore, your Lot is subject to front, rear and side lot line easements shown on the Plat and/or set forth in the Glassy Declaration, which also constitute construction setback limits.

10.2 Our Adjacent Development. Except as otherwise provided herein and notwithstanding any statements contained in this Agreement or otherwise to the contrary, we do not warrant in any manner whatsoever the development

of any other properties which are owned by us in Greenville County, South Carolina or Henderson County, North Carolina, whether or not in the general vicinity of your Lot, and we reserve the right to develop such properties, if developed, in any manner whatsoever without interference from you or any subsequent grantee of your Lot, notwithstanding any plans, renderings or drawings which may have been brought to your 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 we herein covenant to complete or which are disclosed to be completed in the HUD Property Report for the Lot.

10.3 Periodic Charges and Costs. By owning the Lot, you acknowledge that you will be liable for the periodic assessment and service charges levied by public authorities and utilities, the monthly and/or annual assessments of the Glassy Association, and any special assessments assessed by it. Failure to pay such assessments and charges when due may result in the imposition of liens against your Lot. You hereby acknowledge that public and private utilities serve your Lot, and that by owning your Lot, you will be liable to the applicable service provider for the payment of tap fees and user fees for the utility's service, in amounts applicable at the time of payment, which are subject to change.

10.4 Inspection of Premises. You hereby acknowledge that you have inspected the Lot prior to signing this Agreement, and hereby agree that, except as otherwise provided herein, you are purchasing and we are selling the Lot in an "AS IS" condition.

10.5 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 10.5 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 us: The Cliffs At Glassy, Inc.
15 Fair Green Lane
Travelers Rest, SC 29690
Attention: Darrell Whitaker
FAX: 864-836-8176

If to the Escrow Agent: Jeffrey H. Gray, PC
1710 Highway 11
Landrum, South Carolina 29356
Attention: Jeffrey H. Gray, Esq.
FAX: 864-895-3113

Notices, if to you: As set forth on page 1 of this Agreement

The notice requirements of this Section 10.5 do not apply to the Purchaser's right to cancel this Agreement as provided on page 12 below and in accordance with the Interstate Land Sales Full Disclosure Act.

10.6 Potential Economic Benefits Disclaimed

(a) You acknowledge and agree that the Lot has not been marketed with emphasis on the future economic benefits to you from our development or managerial efforts or those of any other party arranged for or introduced to you by us. In addition, the Lot has not been marketed with required or guaranteed resale arrangements or other similar services whereby emphasis was placed on the economic benefits to be derived by you from our resale efforts or those of any party arranged for or introduced to you by us.

(b) You acknowledge and agree that we have not offered to sell the Lot and any improvement thereon in connection with rental pool arrangements or other contractual agreements such as guarantees of minimum rentals, requirements that the Lot and its improvements be held available for rental for any portion of the year, requirements that an exclusive rental agency be used, or requirements that otherwise materially restrict occupancy, use or rental of the Lot and its improvements. Furthermore, you acknowledge that we have not promised, suggested, or indicated in any way that you will receive any rental income or any other economic benefit whatsoever as a result of your ownership of the Lot and the improvements thereon.

(c) If you elect to rent or sell your Lot, it is understood and acknowledged by you that you may handle the rental or resale of your Lot or you may contract with any real estate agency of your choice.

10.7 Your Acknowledgment Concerning Representations by Salesmen. You understand that any salesman representing us 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 us, including without limitation, any representation made regarding the rental potential of the property or investment potential of the property, and that we, for ourselves and in behalf of any such agent, specifically disclaim any responsibility for such statements. Further, if any such statements were made, you acknowledge that by execution of this Agreement, you affirm that you have not relied upon any such statements, if any, and waive any rights that you might have as a result of such statements unless they are incorporated in this Agreement.

10.8 Documents Received By You. You further acknowledge having received and reviewed prior to the execution of this Agreement the following:

(a) Copy of Amended and Restated Declaration of Covenants, Conditions and Restrictions for Cliffs at Glassy recorded in the Office of Register of Deeds for Greenville, as supplemented and amended to the date hereof, together with appended By-Laws of the Cliffs at Glassy Community Association, Inc.

(b) Agency Disclosure (Excused).

(c) Copy of Plat.

(d) Design and Construction Guidelines.

(e) The following checked documents or instruments:

☒
☐
☐
☐
☐

HUD

INITIAL HERE THAT YOU HAVE RECEIVED THE DOCUMENTS LISTED ABOVE

RAS
For Purchaser

10.9 Time is of the essence. It is expressly understood and agreed that **TIME IS OF THE ESSENCE** as to all obligations hereunder, including the your obligation to obtain a mortgage commitment and provide the Lender with all information requested.

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

10.11 Modification of Agreement. This Agreement may not be otherwise changed or modified, absent some subsequent written instrument executed by both of us.

10.12 Interpretation Presumption. We both represent and warrant to one another that each of us 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 of us hereby waives the doctrine that an ambiguity should be interpreted against the party which has drafted the document.

10.13 Binding Effect; Assignment. This Agreement is binding upon our respective heirs, devisees, personal representatives, successors and assigns; provided however, this Agreement and any of your rights hereunder may not be assigned by the you.

10.14 Resale Or Exchange Of Property. We have no program or provision for the sale or exchange of any Lots in Glassy. There is no program, which assures that you will be able to exchange the Lot for other property.

10.15 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.

10.16 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.

10.17 Counterpart Execution of Agreement. This Agreement may be signed by each of us 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 of us. 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.

10.18 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.

(BALANCE OF PAGE PURPOSELY BLANK)

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:

Robert A. Scharlach

January 7th 2004
Month Day Year

Section: Seaside Pointe Lot 45

Purchase Price: \$ 398,900

(BALANCE OF PAGE PURPOSELY BLANK)

Seller:

THE CLIFFS AT GLASSY, INC.

By: 

Its: Treasurer

Month 1/9/04

Day

Year

(BALANCE OF PAGE PURPOSELY BLANK)

CAG-SP-45



Cliffs at Glassy Membership Inclusion Addendum

THIS ADDENDUM is executed by and between The Cliffs at Glassy, Inc. (the "Seller" and generally referred to as "we" and "us") and the below identified "Purchaser" (generally referred to as "you") of a Lot in Cliffs at Glassy and is an amendment of and addition to that certain Agreement ("Agreement") between both of us.

Purchaser:

Robert Scharlach

Cliffs at Glassy Lot: Sunset Pointe 45

Agreement Date: January 7, 2004

Membership Deposit Included in Purchase Price:

\$ 75,000

1. **Purchase Price Inclusive of Memberships.** The Purchase Price of the Lot under the Agreement includes the membership amount for either a Full Golf Membership, or for a Social Athletic Membership. If you wish to acquire a membership, you must elect to do so below and submit the required membership deposit as below provided. See the membership check boxes below and Paragraph 2 regarding membership privileges in the Club's facilities.

- ☒ **Box #1. YOU ELECT TO RECEIVE A FULL GOLF MEMBERSHIP. THE DEPOSIT FOR A FULL GOLF MEMBERSHIP IS \$75,000.** By checking this box and initialing below, you acknowledge that you have read Paragraph 2 below. You hereby understand that, the Full Golf Membership will not be issued and activated until we have received from you the required deposit for the membership. You must deliver your membership deposit and complete the Club's required forms not later than thirty (30) days following your closing. If the Club does not receive such funding on or before the expiration of the aforesaid period, you will forfeit the right of guaranteed availability of a Full Golf Membership and shall only be able to acquire one if, and only if, one becomes available pursuant to the Club's Membership Plan, which neither we nor the Club guarantees. Please remember, that when you go to sell your Cliffs property, your buyer is only guaranteed the ability to get a Full Golf Membership if you have one to resign back to the Club (and receive a refund of your initiation deposit) to the Club can immediately re-issue it to your buyer at your re-sale closing (subject to your buyer completing an application and paying the required membership deposit at the closing) without your buyer having to be placed on a waiting list and perhaps never having one become available

RAS
For Purchaser



Box #2. YOU ELECT TO RECEIVE A SOCIAL ATHLETIC MEMBERSHIP. THE DEPOSIT FOR A SOCIAL ATHLETIC MEMBERSHIP IS \$_____. By checking this box and initialing below, you acknowledge that you have read Paragraph 2 below. You understand that the Social Athletic Membership will not be issued and activated until we have received from you the required deposit for the membership. You further understand that a Social Athletic Membership is subject to availability and that there is no guarantee that a Social Athletic Membership would be available if you delay membership acquisition and later wish to acquire a membership. You must deliver your membership deposit and complete the Club's required forms not later than thirty (30) days following your closing. If the Club does not receive such funding on or before the expiration of the aforesaid period, a Social Athletic Membership will be available to you if, and only if, one is available pursuant to the Club's Membership Plan, which neither we nor the Club guarantees.

For Purchaser

2. The Golf & Country Club. You hereby acknowledge the plan of development for Cliffs at Glassy includes the operation of a commercial, private golf and country club facility within the boundaries of Cliffs at Glassy (sometimes hereinafter, the "Club"). You further acknowledge that the Club's recreational facilities are owned by a related third party as a commercial business, and not as a non-profit enterprise, that you will have a license to use the facilities as herein described if you acquire a membership to do so, and that neither you nor any property owner association of which you may be a member has or will receive any ownership interest in the Club's facilities by virtue of your 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 you wish to become a member, you should take the time to read the entire membership plan prior to acquiring a membership.

(a) **Golf Membership.** The ability to acquire permanent golf privileges is reserved to those who elect to acquire a Full Golf Membership. Acquisition of a Full Golf Membership is subject to availability at the time you may wish to acquire one, but is guaranteed to be available to you if it is acquired before the expiration of thirty (30) days following your closing. Under the Club membership plan, a buyer is guaranteed the availability of the Full Golf Membership if the buyer purchases from our previously unsold inventory and the buyer's application and membership deposit are received within thirty (30) days following the buyer's closing with; or if the buyer purchases re-sale property from a seller who is the holder of a Full Golf Membership and submits the completed application and required membership deposit at the re-sale closing of the Cliffs property. If you want the buyer of your Cliffs property in a re-sale transaction to be guaranteed the ability to acquire a Full Golf Membership, following your membership resignation and the Club's re-issuance of the resigned membership to your buyer at your closing pursuant to the requirements of the Club's membership plan and subject to your buyer completing an application and paying the required membership deposit at the closing, you will need to acquire the Full Golf Membership. A golf membership is subject to availability at all times as determined by the Club. If you have elected to receive a Full Golf Membership by checking Box #1 on page 1, then upon you making application and funding the required deposit within the period required, you will be issued a Full Golf Membership in the Club. Your monthly membership dues will commence with the issuance of the membership to you, and the monthly dues may change from time to time at the Club's sole discretion. The privileges of membership in the Club are dependent upon the facilities available and the rules and regulations adopted for their use, as the Club may modify the same from time to time.

(b) **Social Athletic Membership.** If you have elected to receive a Social Athletic Membership by checking Box #2 on page 2 of this Addendum, then upon you making application and funding the required deposit, you will be issued a Social Athletic Membership in the Club. Your monthly membership dues will commence with the issuance of the membership to you, and the monthly dues may change from time to time at the Club's sole discretion. The privileges of membership in the Club are dependent upon the facilities available and the rules and regulations adopted for their use, as the Club may modify the same from time to time.

(c) Club's Membership Plan. The governing documents of the Club require that upon resale of your Lot, your membership in the Club must be resigned. When you sell your Lot, and so long as you are a Club member in good standing, you will be entitled to a refund equal to one hundred percent (100%) of the initiation deposit you made for memberships in the Club. In addition, if the buyer of your Lot and improvements wishes a membership, he or she will have to acquire a membership directly from the Club at the then prevailing rates for the membership desired, and subject to availability and the rules and regulations of the Club. The membership deposit that your buyer makes for the issuance of a membership may be more or less than the deposit you made. As previously indicated, a Full Golf Membership is not guaranteed to be available to your buyer if you do not acquire a Full Golf Membership within 30 days following your Closing. See subparagraph (a) above.

3. Effective Date. This Addendum shall become effective the last date executed by a party to be bound hereby, and is subject to all other terms and conditions of the Agreement.

Purchaser:

Robert A. Schlarb

January 7 2004
Month Day Year

Seller: _____

THE CLIFFS AT GLASSY, INC.

By: [Signature]

Its: Regina S.

1/19/04
Month Day Year

CAG-SP-45

**THE CLIFFS GOLF AND COUNTRY CLUB, INC
MEMBERSHIP AGREEMENT**

I have received and reviewed official club documents, specifically The Cliffs and Country Club, Inc. constitution and by-laws, rules and regulations (as modified June 1, 1999), outlining the Cliffs Membership Program. I agree to participate and become enrolled as a member of The Cliffs Golf and Country Club, Inc., which is managed and operated by The Cliffs Golf and Country Club, Inc. and agree to pay the applicable membership fees in the amount(s) indicated below:

<u>Membership Classification</u>	<u>Membership Fees</u>
<u> </u> Cliffs Social Athletic	\$ <u> </u>
<u> X </u> Cliffs Full Golf	\$75,000.00
<u> </u> Cliffs Sports	\$ <u> </u>

My rights and privileges as a member shall be governed by the plan documents and the club's by-laws, rules and regulations. Membership in the club does not convey any ownership, stock or equity certificate or other rights of ownership. As a member, I cannot be assessed as a matter of contract with the Club, and I assume no liability whatsoever in connection with the membership other than the payment of an applicable membership fee, dues and charges incurred by myself, my family and guests.

The Club reserves the right to set membership classification limitations. The Club has the plenary power to modify classes of memberships, their definitions, privileges, requirements and availability.

I shall be bound by the terms and conditions of the plan documents, as they may be amended from time to time in accordance with their terms and this membership purchase agreement.

I agree to pay the dues, fees and charges applicable to my membership classification(s) set forth by the club ownership, as it may be amended from time to time.

I hereby agree to release and discharge the Club, its ownership, affiliates, employees and agents from any and all claims and causes of actions that I may have against any of them regarding the Club membership program and facilities, except claims and causes of action arising from misrepresentations or omissions in the club documents.

1.28.04
Date
Robert A. Scharlach
Member Signature
Patt M. Fero
Patt M. Fero
VP, Club & Community Relations
The Cliffs Golf & CC, Inc.

February 3, 2004
Date
Cheryl A. Scharlach
Member Signature
Mimsy DeMars
Mimsy DeMars
Manager, Membership Services
The Cliffs Golf & CC, Inc.

You replied on 1/3/2011 8:47 AM.

Scharlach, Robert A.

From: Nate Weyand [nweyand@cliffcommunities.com] **Sent:** Mon 1/3/2011 6:34 AM
To: Scharlach, Robert A.
Cc:
Subject: RE: Glassy Golf Membership Fee
Attachments:

Mr. Scharlach,

Thank you for your inquiry. I currently have your refund in the 10th position in the Glassy priority waiting list. The sale of memberships over the past 18-24 months has been painfully slow. As you can imagine, the pace of property sales is far from a normal rate. The estimate I provided previously was based on what we knew in November 2007. The move to 3-in-1-out has helped but not materially. With a stagnant sales pace, we could be at 2-1 or 1-1 and it wouldn't really move the list.

It would be difficult for me to judge the future pace of property/membership sales. I can assure you that we all hope it will pick up as get further into 2011.

Kind regards,

Nate

**Nate Weyand**

Director, Membership Services

864.660.1160 | office

864.371.1563 | fax

800.371.1000 | toll-free

nweyand@cliffcommunities.com

www.cliffcommunities.com

From: Scharlach, Robert A. [mailto:scharlac@marshall.usc.edu]
Sent: Sunday, January 02, 2011 12:04 PM

To: Nate Weyand
Subject: Glassy Golf Membership Fee

Nate,

The purpose of this email is to inquire as to the status of the refund of my \$75,000 Glassy Golf Membership fee. My resignation from the club was effective November 15, 2007. At that time you told me that I would receive the refund in about 18 months and that I was 17th in line.

On April 26, 2008 I was told by Cheryl Shaw that I was 12th in line. On December 5, 2008 Cheryl Shaw told me that I was 11th in line. On October 6, 2009 you emailed Brad Childs the following: "He's #11 in line at Glassy. We moved to 3-in-1 out this year to try and speed it up." If you moved to 3-in 1 in 2009 how could I be #11 in line at both December 5, 2008 and October 6, 2009.

What place in line am I at this time and when do you estimate I will receive my \$75,000 refund?

Thanks for your assistance in this matter.

Robert A. Scharlach

Scharlach, Robert A.

From: Scharlach, Robert A.
To: nweyand@cliffscommunities.com
Cc:
Subject: Glassy Golf Membership Fee
Attachments:

Sent: Sun 1/2/2011 9:04 AM

Nate,

The purpose of this email is to inquire as to the status of the refund of my \$75,000 Glassy Golf Membership fee. My resignation from the club was effective November 15, 2007. At that time you told me that I would receive the refund in about 18 months and that I was 17th in line.

On April 26, 2008 I was told by Cheryl Shaw that I was 12th in line. On December 5, 2008 Cheryl Shaw told me that I was 11th in line. On October 6, 2009 you emailed Brad Childs the following: "He's #11 in line at Glassy. We moved to 3-in-1 out this year to try and speed it up." If you moved to 3-in 1 in 2009 how could I be #11 in line at both December 5, 2008 and October 6, 2009.

What place in line am I at this time and when do you estimate I will receive my \$75,000 refund?

Thanks for your assistance in this matter.

Robert A. Scharlach



November 16, 2007

Mr. and Mrs. Robert Scharlach
14903 Live Oak Springs Cyn Road
Canyon Court, CA 91387

Dear Mr. and Mrs. Scharlach,

It is with regret we write at this time to confirm acknowledgment of your resignation of your **Cliffs at Glassy Membership** with The Cliffs Golf and Country Club. Your resignation is effective with the receipt of your written resignation notice and will be effective November 15, 2007. You are obligated for payment of dues for the month in which we received the notice. 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 Glassy Golf Membership is placed in a priority waiting list based on the classification and location of your membership; you are currently 17th in line. 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.

As part of the acknowledgment of your resignation, the club requires the following conditions to be met prior to the issue of any refund:

- Your Member account needs to be paid in full and show a zero balance.
- Please return any membership card(s) by mail.

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 864-371-1047.

Kind regards,

Nate Weyand
Membership Director

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

November 23, 2007
14903 Live Oak Springs Canyon Road
Canyon Country, California 91387

Mr. Nate Weyand
Membership Director
The Cliffs Golf and Country Clubs
Membership Office
3598 Highway 11
Travelers Rest, South Carolina 29690


Dear Nate:

As requested in your letter to Mrs. Scharlach and me dated November 16, 2007, enclosed is our "The Cliffs" Member Card. Please acknowledge receipt of the return of this membership card. Email notification would be acceptable. My email address is scharlac@marshall.usc.edu.

Thank you for your help during our time our members of The Cliffs Golf and Country Clubs. Mrs. Scharlach and I are looking forward to receiving our \$75,000 Glassy Golf Membership fee.

Very truly yours,

Robert A. Scharlach

 You replied on 4/26/2008 10:45 AM.

Scharlach, Robert A.

From: Cheryl Shaw [cshaw@cliffscommunities.com]
To: Scharlach, Robert A.
Cc:
Subject: Membership refund
Attachments:

Sent: Sat 4/26/2008 10:41 AM

Hi Bob,

I wanted to let you know I got a response from The Membership department about your refund. I thought I sent it to you but I wasn't sure. You are 12th in line and they would estimate that your refund would come due in 12-14 more months. This was back in March.

So it might be a good idea to start looking this summer when selection is so much better rather than waiting or at least start talking to Brad. Let me know when you want to head this way so we can make any accommodations you need.



Cheryl Shaw

Sales Assistant to Brad Childs
 The Cliffs Communities
 864.836.2227 | office
 864.423.4753 | mobile
 864.371.1685 | fax
 800.884.2958 | toll-free
cshaw@cliffscommunities.com
www.cliffscommunities.com

"...one of the most comprehensive and impressive club memberships in the world." – *Resort Living*

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Scharlach, Robert A.

From: Scharlach, Robert A.
To: Cheryl Shaw
Cc: bchilds@cliffscommunities.com
Subject: RE: Featured Homes of The Day
Attachments:

Sent: Sat 12/6/2008 8:51 AM

Cheryl,

On April 26, 2008 you emailed me that I was 12th in line in March, 2008. Now you say I am 11th in line. Does that mean that only one property has sold in the last nine months? At this rate it will take another 8 years for me to get my \$75,000. This doesn't seem fair to me when I was originally told that it would take about 18 months from the time I sold my property. Can't something be done to help me out?

Bob

From: Cheryl Shaw [mailto:cshaw@cliffscommunities.com]
Sent: Fri 12/5/2008 1:47 PM
To: Scharlach, Robert A.
Subject: RE: Featured Homes of The Day

Hey Bob,
 You are actually 11th in line.
 Cheryl



Cheryl Shaw
Sales Assistant to Brad Childs
 864.836.2227 | office
 864.423.4753 | mobile
 864.371.1685 | fax
 800.884.2958 | toll-free
cshaw@cliffscommunities.com
www.cliffscommunities.com

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



Please consider the environment before printing this e-mail.



Brad Childs
Sales Executive-Broker In Charge
 864-836-2227 office
 864-371-1425 fax
 800-884-2958 toll free
bchilds@cliffscommunities.com
www.cliffscommunities.com

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



Please consider the environment before printing this e-mail.

From: Scharlach, Robert A. [mailto:scharlac@marshall.usc.edu]

Scharlach, Robert A.

From: Brad Childs [bchilds@cliffscommunities.com]
Sent: Tuesday, October 06, 2009 1:35 PM
To: Scharlach, Robert A.
Subject: Fw: Club Membership Fee

Bob,
Here is the response from membership. Slow sales has caused the refunds to be very slow. I hope this is helpful.
Thanks,

Brad Childs

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

From: Nate Weyand
To: Brad Childs
Sent: Tue Oct 06 14:41:46 2009
Subject: RE: Club Membership Fee

He's #11 in line at Glassy. We moved to 3-in-1-out this year to try and speed it up.
Bottom line - sales and refunds are slow this year.

Nate

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

From: Brad Childs
Sent: Tuesday, October 06, 2009 8:56 AM
To: Nate Weyand
Subject: Fw: Club Membership Fee

Nate,
Can you speak to this?
Thanks,

Brad Childs

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

From: Scharlach, Robert A. <scharlac@marshall.usc.edu>
To: Brad Childs
Cc: sward@cliffscommunities.com <sward@cliffscommunities.com>
Sent: Tue Oct 06 00:30:29 2009
Subject: Club Membership Fee

Brad,

Would you please check on when I might expect to receive a refund of my \$75,000 club membership fee?

Thanks.

Bob Scharlach

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Scharlach, Robert A.

From: Scharlach, Robert A.
To: Scharlach, Robert A.
Cc:
Subject: FW: Featured Homes of The Day
Attachments:

Sent: Tue 12/9/2008 11:54 AM

From: Scharlach, Robert A.
Sent: Tue 12/9/2008 11:52 AM
To: Nate Weyand
Cc: Brad Childs; Cheryl Shaw; Magan Boggs; Laura Hobbs
Subject: RE: Featured Homes of The Day

Nate,

Thank you for your email. Could you please give me a current estimate on how long it will take for me to receive my \$75,000?

Also, does the issuance of 5 memberships relate to the Cliffs as a whole or only Cliffs Glassy?

Bob Scharlach

From: Nate Weyand [mailto:nweyand@cliffscommunities.com]
Sent: Tue 12/9/2008 10:41 AM
To: Scharlach, Robert A.
Cc: Brad Childs; Cheryl Shaw; Magan Boggs; Laura Hobbs
Subject: RE: Featured Homes of The Day

Mr. Sharlach,

Please allow me to answer on behalf of Brad and Cheryl on the question of timing on your refund. We do show you in 11th position in the refund priority waiting list. The Membership Plan allows for a refund to occur upon the issuance of 5 memberships in the same category. The membership office provides an estimate of how long this might take upon resignation to give resigned Members some indication of how long it may take to receive the refund. As you can imagine, this is an educated guess because we do not know the membership sales in the future. More specifically to your case, we did not anticipate the current market conditions and the slower pace of membership sales we have experienced over the past 12 months.

My apologies for the extended timeline. I can appreciate your anxiousness in getting the funds returned to you.

Magan Boggs, Membership Assistant, and myself are pleased to give you an update of your position in the list upon request.

Best,
 Nate



Nate Weyand

Director, Membership Services

864.371.1019 | office

864.371.1563 | fax

800.371.1000 | toll-free

nweyand@cliffscommunities.com

www.cliffscommunities.com

"World's Best International Development 2007,"

Scharlach, Robert A.

From: Magan Boggs [mboggs@cliffscommunities.com]
To: Scharlach, Robert A.
Cc:
Subject: RE: Membership Resignation
Attachments:

Sent: Wed 10/10/2007 6:21 AM

Good Morning Mr. Scharlach,

I did receive your resignation email and it is sufficient. You will receive a confirmation in the mail shortly.

If you need anything further, please let me know.

Thanks,
Magan



Magan Boggs

Membership Services Assistant
The Cliffs Communities
864.371.1047 | office
864.371.1538 | fax
800.371.1000 | toll-free
mboggs@cliffscommunities.com
www.cliffscommunities.com

From: Scharlach, Robert A. [mailto:scharlac@marshall.usc.edu]
Sent: Tuesday, October 09, 2007 10:46 PM
To: Magan Boggs
Subject: RE: Membership Resignation

Magan,

Did you get my resignation email? If so, was it satisfactory?

Bob Scharlach

From: Magan Boggs [mailto:mboggs@cliffscommunities.com]
Sent: Mon 10/8/2007 9:53 AM
To: Scharlach, Robert A.
Subject: Membership Resignation

Mr. Scharlach,

Please find below wording that is sufficient for a resignation.

Cliffs Membership Office,

Please accept this email as resignation of my Cliffs at Glassy Golf Membership. I am selling Sunset Pointe/45 at Glassy and the buyer is not going to purchase my Golf Membership.

You can send this via email or fax to my attention.

If you need anything further, please let me know.

Best regards,
Magan

**Magan Boggs***Membership Services Assistant*

The Cliffs Communities

864.371.1047 | office

864.371.1538 | fax

800.371.1000 | toll-free

mboggs@cliffscommunities.comwww.cliffscommunities.com

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Scharlach, Robert A.

From: Scharlach, Robert A.
To: mboggs@cliffscommunities.com
Cc:
Subject: Membership Resignation
Attachments:

Sent: Mon 10/8/2007 4:30 PM

Magan,

Please accept this email as resignation of my Cliffs at Glassy Golf Membership effective November 15, 2007. I am selling Sunset Pointe/45 at Glassy and the buyer is not going to purchase my Golf Membership.

Please acknowledge receipt of this resignation letter by return email. Thank you.

Robert A. Scharlach



The Cliffs Golf and Country Club, Inc.
The Cliffs at Glassy Country Club, Inc.
The Cliffs at Keowee Vineyards Golf Club, LLC
The Cliffs at Walnut Cove Golf and Country Club, LLC
The Cliffs at Keowee Falls South Golf and Country Club, LLC
The Cliffs at Mountain Park Golf and Country Club, LLC

THE CLIFFS CLUBS MEMBERSHIP PLAN

First Edition	May, 1992
Revised	January, 1993
Revised	June, 1995
Revised	January, 1999
Revised	January, 2001
Revised	September, 2004
Revised	January, 2007

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THE CLIFFS CLUBS

MEMBERSHIP PLAN

PROLOGUE

PURPOSE OF THIS PLAN

The Membership Plan for the Cliffs Clubs detailed herein, the Rules and Regulations of the Cliffs Clubs from time to time adopted by the Clubs, and the Application for Membership (collectively, the "Membership Plan"), together offer property owners in the Cliffs at Glassy, Cliffs Valley, Cliffs Valley North, Cliffs at Keowee Falls (North), Cliffs at Keowee Vineyards, Cliffs at Keowee Falls South, Cliffs at Walnut Cove, Cliffs at Keowee Springs and Cliffs at Mountain Park (hereinafter collectively referred to as the "Cliffs Communities") an opportunity to obtain membership privileges at one or more of the golf and country club facilities operated under the banner, "Cliffs Clubs."

The Cliffs Golf and Country Club, Inc., The Cliffs at Keowee Vineyards Golf Club, LLC, The Cliffs at Walnut Cove Golf and Country Club, LLC, The Cliffs at Mountain Park Golf and Country Club, LLC, The Cliffs at Keowee Falls South Golf & Country Club, LLC, and The Cliffs at Glassy Country Club, Inc. (hereinafter collectively referred to as the "Cliffs Clubs"); affiliates of The Cliffs Communities, Inc., own the private, membership club facilities in the Cliffs Communities, which are all operated by the club management services division of The Cliffs Communities, Inc. When used herein, the term "Home Club" refers to the private membership club located in or adjacent to and serving the Cliffs Community where a property owner's property is located; and if one owns more than one Cliffs' residential property in more than one Cliffs' community, then the Home Club is determined by the Club associated with that person's first purchase in a Cliffs Community for which a membership is issued or the Cliffs Community in which the purchaser has a completed home.

Each membership permits the Member to use such of the recreational, dining and social facilities of the Home Club as are accorded use privilege pursuant to the Member's membership classification. In addition, a Home Club Member may also enjoy reciprocal usage privileges of the amenities and facilities located within other Cliffs Communities, as specifically granted for the Member's membership classification by and outlined in this Membership Plan.

OWNERSHIP AND USE OF THE CLUB FACILITIES

Each Home Club's facilities are operated through the club management services division of The Cliffs Communities, Inc. A Home Club's facilities may include a golf course and related practice facilities, as well as tennis, swimming, fitness and wellness, dining and other recreational facilities and amenities which may be available for use by Members according to the access and use rights conferred by a member's membership classification under this Membership Plan. We will refer to all the facilities owned by the Cliffs Clubs collectively as the "Clubs Facilities."

The membership privileges of use of the Clubs Facilities are granted by a non-exclusive, revocable license. By acquiring a membership, the Member does not acquire any ownership interest in the Home Club or in any other Cliffs Club or the Club Facilities. By the same token, a Member is not subject to special assessments or any deficit-funding requirement, which remain the sole responsibility of the Cliffs Clubs.

MEMBERSHIP PRIVILEGES

Membership in a Home Club is an opportunity to belong to an outstanding recreational, dining, and social club. Membership is only guaranteed to be made available to persons purchasing property from the company for a limited period of time, commencing with the individual's closing on the property, and is only guaranteed to be made available to a resale purchaser if the resale seller holds a Membership classification that confers such guaranteed availability.

Each individual Member and business designee is permitted certain privileges to use the Club Facilities in accordance with this Membership Plan and the membership classification acquired, as the same may exist from time to time.

MEMBERSHIP OFFICE IS AVAILABLE TO ANSWER INQUIRIES

Should there be any questions concerning the Membership Plan or the membership opportunities at the Cliffs Clubs, please contact the Membership Office. The Membership Office for the Cliffs Clubs is located at the address listed on the Membership Application form.

FOLLOW THESE PROCEDURES TO MAKE APPLICATION FOR MEMBERSHIP PRIVILEGES

Eligible applicants are extended an opportunity to acquire a membership in a Home Club by invitation only. Eligible applicants for membership must comply with the following requirements:

- Complete and sign the required Application for Membership form;
- Complete and sign the required Membership Agreement form;
- Mail or deliver to the Membership Office the completed and signed required forms and a check in the amount of the membership deposit.

Eligibility for membership is described in this Membership Plan and, if applicable, the Real Estate Purchase Agreement, including applicable addenda thereto, by which a person acquires residential property in a Cliffs Community and thereby the opportunity to acquire a membership.

RELY ONLY ON INFORMATION IN THE MEMBERSHIP PLAN

No one is authorized to give any information or make any representation to an applicant not contained in this Membership Plan, and if anyone has given any information or made any representation or promise that doesn't appear in this Membership Plan, the applicant may not rely upon it as having been authorized by the Cliffs Clubs.

Membership is being offered exclusively for the purpose of permitting persons obtaining membership privileges to use the Home Club facilities (as outlined in this Membership Plan). Membership privileges should not be viewed or obtained as an investment, and no one obtaining membership privileges should expect to derive any economic benefits or profits from membership in a Home Club.

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THE CLIFFS CLUBS MEMBERSHIP PLAN

INTRODUCTION

1. Membership Opportunity

Each Home Club offers an applicant an opportunity to become a member of a recreational, dining and social club. The Home Clubs will provide quality facilities and services.

The privilege to use the Home Club facilities is available to members, guests of members, and other persons permitted by this Membership Plan.

2. Home Club's Reserved Right to Convert to Equity Club

The Cliffs Clubs reserves the right, but not the obligation, to convert any or all of the Home Clubs to an equity membership form of ownership. The Cliffs Clubs makes no commitments or promises to the current membership except for the future invitation to all Members in good standing, at the time of conversion, the equal opportunity to acquire an equity membership on such terms and conditions and payment of such additional fees as may be specified at that time.

3. Facilities Located Within Each Cliffs Community

The facilities of the Cliffs Clubs are referred to collectively as the "Club Facilities" and include the privately owned facilities for golf, tennis, swimming, fitness and wellness, dining and other recreational activities located in each Cliffs Community.

MEMBERSHIP CLASSIFICATIONS

4. Memberships

The different types of memberships and the privileges for each membership offered are set forth below. Property owners will apply to the Cliffs Clubs for membership in the Home Club associated with the Cliffs Community where their property is located. If someone owns property in more than one of the Cliffs Communities, the Home Club will be the Club associated with that person's first purchase in a Cliffs Community for which a membership is issued or the Cliffs Community in which the purchaser has a completed home.

4.1 Cliffs Family Membership

A Cliffs Family Membership, previously referred to as a Social Athletic Membership, entitles the Member and his/her family to unlimited use of the Home Club facilities, with the exception of the golf course and golf practice facilities. A Cliffs Family Membership may be available to property owners in all of the Cliffs Communities who apply for and are accepted for membership at their Home Club. To be guaranteed acceptance and issuance of a Cliffs Family Membership, a property owner must apply for and pay all required deposits either (i), in the case of a purchaser of company inventory, within thirty (30) days following the closing of previously unsold

company property, or (ii), in the case of a purchaser of a Cliffs property in a resale transaction, at the closing of a resale property from a seller who holds a Cliffs Family Membership that can be resigned and reissued to the resale purchaser. Resignation by a Cliffs Family Member and re-issuance of the resigned Cliffs Family Membership to a resale purchaser is the only means provided for a Cliffs property purchaser in a resale transaction to be guaranteed the ability to obtain a Cliffs Family Membership. In the event a purchaser of a resale property does not elect to have the seller's Cliffs Family Membership reissued to the purchaser, the Cliffs Family Member shall resign the membership and be entitled to a refund of initiation deposit paid at the time the Member joined the Club. A Cliffs Family Member who sells his/her Cliffs property and purchases another property in the same community within thirty (30) days following the closing of such sale may retain the Cliffs Family Membership, as long as the membership is active and in good standing. A Cliffs Family Member may play five (5) times per calendar year at each Cliffs golf course through the payment of appropriate use fees. Acquisition of a Cliffs Family Membership is always based on availability, which is not guaranteed, as determined by the Cliffs Clubs and management.

4.2

Cliffs Golf
Membership

Cliffs Golf Membership, previously referred to as an "A" or Full Golf Membership, entitles the Member and the member's family, as defined in Section 10 of this Plan, to unlimited use of all of the Home Club facilities. A Cliffs Golf Membership may be available to property owners in all of the Cliffs Communities who apply for and are accepted for membership at their Home Club. To be guaranteed acceptance and issuance of a Cliffs Golf Membership, a property owner must apply for and pay all required deposits either (i), in the case of a purchaser of company inventory, within thirty (30) days following the closing of previously unsold company property; or (ii), in the case of a purchaser of a Cliffs property in a resale transaction, at the closing of a resale property from a seller who holds a Cliffs Golf Membership that can be resigned and reissued to the resale purchaser. Resignation by a Cliffs Golf Member and re-issuance of the resigned Cliffs Golf Membership to a resale purchaser is the only means provided for a Cliffs property purchaser in a resale transaction to be guaranteed the ability to obtain a Cliffs Golf Membership. In the event a purchaser of a resale property does not elect to have the seller's Cliffs Golf Membership reissued to the purchaser, the Cliffs Golf Member shall resign the membership and be entitled to a refund of initiation deposit paid at the time the Member joined the Club. A Cliffs Golf Member who sells his/her Cliffs property and purchases another property in the same community within thirty (30) days following the closing of such sale may retain the Cliffs Golf Membership, as long as the membership is active and in good standing. If a Cliffs Golf Member elects to retain his/her Cliffs Golf Membership upon the sale of his/her property and purchase of another property in the same community as described above, the Member will

be considered to have joined after June 1999 for the purpose of the initiation deposit set out in 11.1 below, and will have paid a 100% initiation deposit.

4.3 *Cliffs Corporate
and Executive
Membership*

A Cliffs Corporate or Executive Membership may be available to any corporation, partnership, or other legal entity, at the discretion of the Cliffs Clubs. The "Corporate and Executive Member Designee" program provides for unlimited use of the designated club facilities and golf courses, for the Member Designee and his/her family, as defined in Section 10 of this Plan. The Corporation may change the Member Designee from time to time as provided for in the Membership Plan. The number of Cliffs Corporate and Executive Memberships is limited at all times. The Club reserves the right to provide additional course access to Corporate and Executive Memberships under modified membership programs and special use requests.

4.4 *Marina Membership*

Marina Membership is included in the Keowee Vineyards Cliffs Family Membership, Keowee Vineyards Cliffs Golf Membership, Keowee Falls South Cliffs Family Membership, Keowee Falls South Cliffs Golf Membership, Keowee Falls North Cliffs Family Membership, Keowee Falls North Cliffs Golf Membership, Keowee Springs Cliffs Family Membership and Keowee Springs Cliffs Golf Membership and entitles the Member and his/her family to unlimited use of the marina facilities located within the Cliffs at Keowee Vineyards Community, the Cliffs at Keowee Falls South Community, the Cliffs at Keowee Falls North Community, and the Cliffs at Keowee Springs Community. Marina privileges include use of the boat access ramps, club-owned wet slips and any other general marina services. Use of wet slips, boat storage facilities and marina services provided by a dockmaster are available at additional fees. Keowee Marina Memberships entitling the Member to the marina privileges set forth above may be available to other membership classifications through the "add on" privileges outlined in this Membership Plan.

4.5 *Cliffs Temporary
Membership*

The Cliffs Clubs has the plenary right to offer Cliffs Temporary Memberships at any Home Club to non-property owners. The Temporary Memberships are subject to recall by the Cliffs Clubs at anytime. At all times, the Cliffs Clubs shall limit usage and access by a Temporary Member so as to not adversely impact the preferred usage times for permanent Home Club members.

4.6 *Cliffs Charter
Membership*

A Cliffs Charter Membership is a classification originally made available to the first fifty (50) property owners in The Cliffs at Glassy and The Cliffs Valley communities, all which have been issued. The Cliffs Charter Membership entitles the Member and his/her family to unlimited use of the Home Club and golf course facilities with the same rights and privileges of use as a Cliffs Golf Member. A Cliffs

Charter Member who sells his/her property in the said community and purchases another property in the same community within thirty (30) days of the closing of such sale may retain his/her Cliffs Charter Membership, as long as the membership is active and in good standing. If a Cliffs Charter Member elects to retain his/her Cliffs Charter Membership upon the sale of his/her property and purchase of another property in the same community as described above, the Member will be considered to have joined after June 1999 for the purpose of the initiation deposit set out in 11.1 below. In the event of a resale transaction, a Cliffs Charter Member may resign his/her Cliffs Charter Membership to his/her Home Club and the Cliffs Clubs guarantees to make available a Cliffs Golf Membership to the purchaser of the said property. The issuance of the Cliffs Golf Membership must take place at the resale closing of such property. Issuance of a Cliffs Golf Membership for a resigned Cliffs Charter Membership by the purchaser's resale seller is the only manner in which a purchaser of a Cliffs Charter Member's Cliffs property is guaranteed the availability of a Cliffs Golf Membership at the subject Home Club. If a Cliffs Charter Member sells his/her property, the Cliffs Charter Member may elect to retain the membership, without remaining a property owner. In that event, the Cliffs Clubs will not guarantee the resale purchaser of the Cliffs Charter Member electing to retain his/her membership the availability of a membership. The Cliffs at Glassy and the Cliffs Valley Charter Memberships are closed categories and are no longer available.

4.7

Cliffs Sports
Membership

Cliffs Sports Membership is a classification that is no longer offered at this time to new purchasers of previously unsold company inventory.

A holder of a Cliffs Sports Membership entitles the Member and his/her family to unlimited use of the Home Club and golf course facilities. The Cliffs Sports Membership is guaranteed to be available for re-issuance to the purchaser of a member's Cliffs property in a resale transaction, which guarantee is only available to a Member holding a Cliffs Sports Membership. In the case of a purchaser of a Cliffs property in a resale transaction, at the closing of a resale property from a seller who holds a Cliffs Sports Membership, the Cliffs Sports Membership can be resigned and reissued to the resale purchaser. Resignation by a Cliffs Sports Member and re-issuance of the resigned Cliffs Sports Membership to a resale purchaser is the only means provided for a Cliffs property purchaser in a resale transaction to be guaranteed the ability to obtain a Cliffs Sports Membership. In the event a purchaser of a resale property does not elect to have the seller's Cliffs Sports Membership reissued to the purchaser, the Cliffs Sports Member shall resign the membership and be entitled to a refund of initiation deposit paid at the time the Member joined the Club. A Cliffs Sports Member who sells his/her Cliffs property and purchases another property in the same community within thirty (30) days following the closing of such sale may retain the Cliffs Sports

Membership, as long as the membership is active and in good standing. A Cliffs Sports Member has unlimited play at their home course through the payment of an established greens fee in addition to cart fees. Cliffs Sports Members pay a greens fee in addition to a reciprocal fee or tournament fee.

MEMBERSHIP LIMITATIONS

5. **Right To Reserve Memberships**

The Cliffs Clubs may, in the exercise of its absolute discretion, reserve memberships for sale to future purchasers of company inventory. Memberships that are reserved will not be considered to be available memberships, and the Cliffs Clubs may not be compelled to issue them. In the event memberships are not available, a priority waiting list will be established for each membership classification at a Home Club. When resigned memberships of a membership classification become available for re-issuance, the resigned memberships will be refunded on a first in, first out basis. A resigned Cliffs Golf Membership to be reissued to a resale purchaser will not be deemed available.

6. **Number of Memberships**

The Cliffs Charter Membership classifications for property owners within The Cliffs at Glassy and the Cliffs Valley Communities are no longer available. The Cliffs Sports Membership and Cliffs Social Athletic Membership classifications for property owners are no longer available to property owners except in the event of re-issuance to the purchaser of a member's Cliffs property in a resale transaction. The remaining classifications of memberships for property owners within the Cliffs Communities remain available. The maximum number of memberships available in each category of membership is not limited at this time to a specific number per Home Club, but the Club is committed to a maximum number of memberships that will accommodate member utilization and protect the members' usage of his/her Home Club.

7. **Right to Change Membership Classification Privileges**

The Cliffs Club has the plenary power to create a class of membership other than those specified, and may subdivide any or every membership classification into reasonable sub-classifications.

When a limit in a certain membership classification is determined, the Club will advise the membership of the limit so established.

The Cliffs Clubs reserves the right to modify playing privileges and reservation policies for each classification of membership at a Home Club, in order to provide the utmost enjoyment and services for all Members at the Home Club. In addition, the Cliffs Clubs reserves the right to change, decrease or increase membership roster limitations previously estimated for a Home Club.

MEMBERSHIP "ADD-ON" PRIVILEGE

8. A Member's Add-on Privilege

Members may be offered from time to time the opportunity to acquire an "add-on" membership privilege at a Cliffs Clubs facility other than the Members' Home Club. The Cliffs Clubs determines availability of such memberships, and acquisition of a specific membership add-on privilege is subject to a Member's current membership classification.

A. Cliffs Golf Members, previously known as "A" or Full Golf Members, were previously and may continue to be given the opportunity to acquire an "add-on" Cliffs Golf Membership, (previously known as an "A" or Full Golf Membership Add-on privilege) at a Club facility other than a Member's Home Club based on availability and through the payment of the applicable membership deposit and additional dues.

B. Members of Home Clubs other than Keowee Vineyards, Keowee Falls South, Keowee Falls North, and Keowee Springs have been and may continue to be offered the opportunity to add-on marina privileges at the marina facilities located within the Cliffs at Keowee Vineyards Community, the Cliffs at Keowee Falls South Community, the Cliffs at Keowee Falls North Community, and the Cliffs at Keowee Springs Community, based on availability at all times, and through the payment of the applicable membership fees and additional dues.

C. Cliffs Golf Members who hold Cliffs Golf Membership Add-on privilege may resign their Cliffs Golf Membership Add-on at the time of the sale of their Cliffs property and the Cliffs Clubs will reissue the Cliffs Golf Membership Add-on privilege to the member's resale purchaser through the prescribed resignation and re-issuance process previously outlined in this Membership Plan. The re-issuance of a Cliffs Golf Membership Add-on privilege is contingent upon the simultaneous re-issuance of the former member's Home Club Cliffs Golf Membership to the resale purchaser desiring to have add-on privileges reissued.

D. The refund policy for a resigned Cliffs Golf Membership Add-on privilege and marina add-on privilege is the same as applies to other membership classifications based on the amount of deposit paid and program at the time of purchase.

RECIPROCITY -- USE PRIVILEGES

9. Use Reciprocity

Members of each Home Club enjoy reciprocal usage of club facilities in the other Home Clubs within the Cliffs Communities. Reciprocity and the scope of privileges subject to reciprocity are

subject to change from time to time as determined by the Cliffs Clubs, so as to provide for preferred member access and usage at the particular Member's Home Club facilities.

A. Cliffs Charter, Cliffs Golf, Cliffs Corporate, Cliffs Sports and Cliffs Temporary members enjoy reciprocal golf privilege at all Cliffs Club golf courses. The reciprocal program provides for unlimited play at the other Cliffs Club golf courses accessing through an established advance tee time and access program. Cliffs Sports Members pay a greens fee and a reciprocal fee in addition to a cart fee for reciprocal play. Certain member preferred home course tee times may not be accessed for reciprocal play tee times.

B. Members of all Cliffs Golf and Cliffs Family Membership classifications have access to and usage of clubhouse, tennis, swimming, fitness and wellness and other non-golf recreational amenities at the other Cliffs Clubs facilities, excepting therefrom marina privilege at Keowee Vineyards, Keowee Falls South, Keowee Falls North, and Keowee Springs, which may be available to property owners of the other Cliffs Communities only through the acquisition of marina add-on privilege, which is subject to availability.

C. Reciprocal golf privileges are provided for the Member, a designated Adult and the Member's children as defined under Family Privileges in this Membership Plan.

MEMBERSHIP FAMILY PRIVILEGES

10. Definition of Family and Selection of Designated Adult

A membership permits the Member and his/her family (as defined below) to all of the privileges of the subject membership classification, subject to the right of the Cliffs Clubs to deny such privileges to any person upon the request of the responsible Member or for violation of this Membership Plan.

The term "family" shall include the Member and one Designated Adult and the unmarried children of the Member and/or the Designated Adult who are each 23 years of age or younger and either (1) maintain the same principle residence as the Member or (2) are serving in the armed forces or attending school on a full-time basis. The "Designated Adult" may be the Member's spouse or any person 18 years of age or older who maintains the same principal residence as the Member. The Member shall identify in writing to the Membership Office the person who shall be the "Designated Adult" for such Member's membership.

There shall be only one Designated Adult at a time per membership; provided, a Member may change the Designated Adult by written notice to the Membership Office, upon payment of such reasonable administrative fees as may be established by the Cliffs

Clubs from time to time and subject to the right of the Cliffs Clubs to impose reasonable limitations on the frequency of such changes.

If a Designated Adult ceases to maintain the same principle residence as the Member, such person shall cease to qualify as a Designated Adult and the Cliffs Clubs may deny access and use privileges to such person; provided, the Member shall remain responsible for all actions and charges of such person unless and until the Membership Office receives written notice from the Member to cancel such person's status as the Designated Adult, and then only as to charges arising following receipt of such written notice, all previously incurred charges remaining the sole obligation of the Member.

From time to time, the Cliffs Clubs may offer some extended family privilege programs, which are always subject to availability as established by the Cliffs Clubs, and said programs will be subject to change based on the total number of outstanding memberships and member usage factors.

MEMBERSHIP FEES, DUES AND CHARGE PRIVILEGES

11. Membership Fees

Each individual making initial application for membership is required to pay the then existing membership deposit established by the Cliffs Clubs for the requested classification of membership. In the event that the individual's application for membership is rejected, the membership deposit will be refunded in full without interest.

11.1 Initiation Deposit

Members who joined prior to June 1999 under the original master membership program paid a membership amount that consisted of 80% initiation deposit and 20% non-refundable membership fee. Members joining after June 1999 paid a 100% initiation deposit. The initiation deposit portion of the membership fees paid is the refundable portion through the resignation and reissuing of a membership or voluntary resignation of membership through the required process outlined in the membership Plan.

11.2 When Initiation Deposits Will Be Refunded

A Member paying an initiation deposit, as outlined in 11.1 above, is due a refund thirty (30) years following the date the Member joined in an amount equal to the initiation deposit paid, or according to the refund policy as outlined in this Membership Plan, whichever comes first. If one is still a member at the end of thirty (30) years, such member will be allowed to continue his/her membership until the member subsequently resigns from the Club by paying the applicable periodic dues and charges incurred. A member who elects to continue his or her membership at the end of the 30-year period will not be counted toward any cap or limits on the total number of members or the number of members in any category of membership.

Refunds occurring as a result of a Member who sells his/her

property, resigns their membership and subsequent re-issuance of membership to their resale buyer will be paid within 30 days following such re-issuance of the membership to the resale buyer at closing. Voluntary resignations will be refunded 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 Cliffs Club from its previously unissued memberships within the same classification as the resigned membership.

11.3

Membership
Classification
Downgrade

A Member who chooses to downgrade to a different membership classification will receive a refund of the difference in the amount of the membership's initiation deposit previously paid and the amount of the prevailing downgrade membership's initiation deposit. All downgrade reclassifications of membership are subject to eligibility, requirements, availability and applicable reclassification fees at the time.

12. Dues

All classifications of membership require the payment of periodic dues. The frequency of periodic dues and the amount of dues per membership classification is determined by the Cliffs Clubs, which has the sole authority and discretion to modify and change dues amounts and payment schedules upon management's determination. All dues billed are due and payable upon receipt.

The payment of dues will not be abated for any reason, including, without limitation, any extended absences of the Member from the area, or any temporary disability preventing the Member's use of the club facilities.

The Club may, but shall not be obligated, to offer dues levels that require the payment of greens fees and other usage fees for certain membership classifications.

Members who have been issued Cliffs Golf Membership Add-on privileges at another Cliffs course may be charged additional dues.

Members who have been issued marina add-on privileges may be charged additional dues.

Members who own multiple properties and multiple memberships of the same classification or different classifications may be charged additional dues.

Certain dues levels may have some restricted privilege as they relate to club access, advance tee times, and reciprocal golf at the golf courses; contingent upon their particular membership classification privileges. Dues levels and amounts are subject to change from time to

time at the sole discretion of the Cliffs Clubs' management.

MEMBERSHIP CARDS, CHARGE PRIVILEGES AND ACCOUNTS

13. Membership Cards

Each Member shall be assigned a membership account number, evidenced by the issuance of a membership card imprinted with the Member's name, account number, membership classification, and expiration, if applicable. Additionally, a Cliffs Community may issue automobile identification decals, which must be displayed at all times.

Membership cards and other evidence of membership should be presented, and/or displayed when using any Club Facilities or making club charges; and upon request of management.

A lost or stolen card must be reported in writing to management immediately following discovery of its lost or stolen status. A Member is responsible for all charges on his/her account until the Cliffs Clubs receives written notification that the card is lost or stolen and then only as to charges arising following receipt of such written notice, all previously incurred charges remaining the sole obligation of the Member. The Member will be issued a new account number and membership card in this event. Members may be charged an administrative fee for the re-issuance of a card.

14. Charge Privileges

Members are entitled to charge privileges for merchandise, food and beverage, greens and cart fees, guest and tournament fees, and miscellaneous service and rental fees, so long as the membership is in good standing.

15. Accounts

A Member is fully responsible for the Member's Club account, as further described in 16 below.

MEMBERS' FINANCIAL RESPONSIBILITIES/INDEBTEDNESS

16. Members' Financial Responsibilities; Delinquent Accounts

Each Member shall be responsible for the performance and prompt discharge of all obligations and indebtedness to the Cliffs Clubs imposed upon, or incurred by the Member, members of his/her family, and his/her guests.

The Cliffs Clubs, in the exercise of absolute discretion, may expel, suspend, fine, or otherwise limit the use of any club facilities for any Member, who fails or neglects to promptly discharge or fulfill his indebtedness to the club.

The Cliffs Clubs reserves the right to require Members to provide a credit card, check or cash deposit as security for payment of a Club account. All club charges which are outstanding on the 15th of

every month will be processed against the credit card maintained in the Member's file. A Member's Club account, which is billed monthly, will include monthly dues owed, and club charges. A Member is required to maintain a valid credit card on file with the Cliffs Clubs.

Any balance on the member account not received by the last day of the billing month, a late fee equal to 1.5% of the outstanding balance owed may be charged.

If payment is not received within the last day of the billing month, a Member's account will be deemed delinquent, and the Club may temporarily suspend all charge and use privileges.

If payment of a delinquent account is not received within thirty (30) days of the date of delinquent notification and billing, the Cliffs Clubs reserves the right to continue temporary suspension until the delinquent Club account is settled, and paid in full.

Continued delinquency for a period of forty-five (45) days from the date of billing may result in formal expulsion, or termination of the membership. This process is at the sole discretion and authority of the Cliffs Clubs management.

The Cliffs Clubs reserves the right to take whatever action it deems necessary to collect in full the amount owed on delinquent Members' accounts. If the Cliffs Clubs engages an attorney to collect a past-due Club account, the delinquent Member will be liable for all attorney costs and expenses incurred in pursuing collection, including, but not limited to, costs and expenses of non-judicial processes, as well as court fees and costs through all appeal levels.

If payment of the delinquent account is received in full prior to the official termination of the Membership, the Member may be reinstated as a Member in good standing. The payment of a reinstatement fee as determined by the Cliffs Clubs may be due at that time.

TRANSFER, CHANGE OF MEMBER DESIGNEE, RESIGNATION OR REVOCATION OF MEMBERSHIP

17. Transfers Prohibited: Membership Resignation Only

A Member may not transfer his/her membership to any person, including a purchaser of the Member's Cliffs property in a resale transaction. Such prohibited transfer includes a prohibition upon any sale, pledge, hypothecation, assignment, transfer or encumbrance of a membership except in accordance with this Membership Plan. A Cliffs Charter or Cliffs Golf Member (previously known as "A" or Full Golf Memberships) may resign the membership and the Cliffs Clubs may reissue the membership as a Cliffs Golf Membership in accordance

with the following provisions:

A. Upon the sale of the Member's Cliffs property in a resale transaction, a Cliffs Charter or Cliffs Golf Member may resign the membership and the Cliffs Clubs may reissue the membership as a Cliffs Golf Membership to the resale purchaser at the closing of said property. The resale purchaser must first, however, be approved for membership.

B. At the time of re-issuance of the membership to a resale purchaser of the Member's Cliffs property, the Cliffs Charter or Cliffs Golf Member who is resigning the membership shall be entitled to receive a refund. With respect to Cliffs Golf Memberships (previously known as "A" or Full Golf Memberships) issued on or after June 1, 1999, the amount of the refund shall be the original initiation deposit paid by such Member at the time the Member joined the Club. With respect to Cliffs Charter or Cliffs Golf Memberships (previously known as "A" or Full Golf Memberships) issued prior to June 1, 1999, the refund shall be the greater of:

(i) the original amount of initiation deposit paid by such Member at the time he/she joined the Club, or;

(ii) eighty percent (80%) of the membership deposit being charged at the time of resignation and re-issuance to a new Member for the same membership classification.

C. A Cliffs Charter or Cliffs Golf Member whose membership is not to be reissued to a resale purchaser of the resigning Member's property may tender their resignation to their Home Club and be eligible for a refund as provided for in this Membership Plan.

D. A formal written letter of resignation and/or a membership addendum, which outlines the resignation and re-issuance, must be processed before the re-issuance of any Cliffs Golf Membership is finalized.

E. The new Member of a reissued Cliffs Golf Membership must submit a completed application form and enrollment form with the required initiation deposit before new membership cards and an account number will be processed.

F. All account balances owed by the resigning Cliffs Charter or Cliffs Golf Member must be paid in full before the Cliffs Clubs acts upon the requested membership resignation and re-issuance.

G. Resigning Members must return their membership card(s), and return any locker key(s) before the Cliffs Clubs acts upon the requested membership resignation and re-issuance.

H. Upon return of a resigning Members' cards and locker keys, and upon complete satisfaction of all outstanding account balances, the resigning Member shall be issued the refund due within a reasonable period of time following such resignation and re-issuance, consistent with the Cliffs Clubs processing of accounts payable.

I. A Cliffs Charter or Cliffs Golf Member may not resign the membership and be entitled to have the membership reissued to another Cliffs property owner except in connection with the transfer of the member's property to the new owner requesting membership re-issuance. Neither a resigned Cliffs Charter nor Cliffs Golf Membership will be reissued to an individual who is not a property owner within the Cliffs Communities.

J. A Cliffs Charter or Cliffs Golf Member (previously known as "A" or Full Golf Memberships) who has a Cliffs Golf Membership Add-on privilege must resign the add-on privilege at the same time as the Member resigns his/her Home Club membership. The resigned Member's Cliffs Golf Membership Add-on privileges will be reissued to the Member's resale purchaser requesting such re-issuance. The resignation and re-issuance of the add-on privileges must be processed in the same manner as the resigned Home Club Cliffs Charter or Cliffs Golf Membership (previously known as "A" or Full Golf Memberships). The re-issuance of add-on privileges is, however, contingent upon first having the Cliffs Charter or Cliffs Golf Membership (previously known as "A" or Full Golf Memberships) for the Member's Home Club reissued. In the event the resale purchaser of the property of a Member with add-on privileges does not elect to have the add-on privileges reissued, the resigned add-on privileges will be processed for refund in accordance with the resignation policies and procedures outlined in this Membership Plan. Upon the re-issuance of add-on privileges to the Cliffs Charter or Cliffs Golf Member's resale purchaser of the Member's Cliffs property, the resigning Member will be entitled to receive a refund for the resigned add-on privileges in addition to the refund due for the resigned Cliffs Charter or Cliffs Golf Membership (previously known as "A" or Full Golf Memberships) in the Member's Home Club set forth in paragraph B above. With respect to any add-on privileges issued on or after June 1, 1999, the amount of the add-on privilege refund will be the initiation deposit paid by such Member at the time he/she acquired the add-on privilege. With respect to add-on privileges issued prior to June 1, 1999 the refund shall be the greater of:

(i) the original amount of the deposit paid by such Member at the time he/she acquired the add-on privilege, or;

(ii) eighty percent (80%) of the membership deposit being charged at the time of resignation and re-issuance to a

new Member for the same membership classification.

K. A resigned Cliffs Golf Membership or Cliffs Golf Membership Add-on privilege awaiting a refund cannot reactivate the resigned membership in order to later again resign the membership and have the Cliffs Clubs reissue the membership to a subsequent purchaser of his/her property.

**18. Membership Acquisition
with Purchase of Property
from the Developer**

The Club may, and from time to time in its sole discretion, allow a purchaser of previously unsold company inventory wishing to acquire a Membership simultaneously with the property closing, to collaterally assign to its lender such amounts as may be due upon resignation of Membership hereunder, subject to the following conditions:

A. The lender must be a bank, trust company, insurance company, or other recognized lending institution, and the holder of a first lien and encumbrance on the Cliffs property as security for the purchase thereof and the funding of the Membership Deposit.

B. In case the lender forecloses its lien or takes a deed in lieu of foreclosure, dues will abate for no more than 6 months or until the property is transferred to another owner, whichever occurs first. If the lender is still the owner of the property after 6 months, dues will commence with respect thereto, and the membership will be deemed a Cliffs Corporate Membership classification under this Membership Plan.

C. Upon the sale of the property to a third party purchaser by the lender, the Membership Deposit will be refunded to the lender, less any unpaid dues or charges of the Member which may be offset by the Club against the Membership Deposit, pursuant to the refund policies of this Membership Plan, and the resigned Membership shall terminate.

D. If the Membership with respect to which a lender holds a collateral assignment of the Membership Deposit is a Cliffs Golf Membership, and if the purchaser of the foreclosed property or the purchaser of the property from the lender acquiring same by deed in lieu of foreclosure wishes to acquire a Cliffs Golf Membership, the Club will accord such purchaser the right, if accepted for Membership following application therefor, to acquire a Cliffs Golf Membership at the closing of the foreclosure sale or such sale by the Lender, subject to such purchaser's completion of all applications and Membership agreements and payment of the then current initiation deposit therefor on or before the closing, and without the necessity that such purchaser be placed on a waiting list for the availability of a Membership. In the event a purchaser of a such foreclosed property or such property acquired from a Lender holding same by deed in lieu of foreclosure

does not elect to have the Cliffs Golf Membership reissued to the purchaser, the former foreclosed owner will have no rights to any such Membership, even if such former owner purchases another property in the same community within thirty (30) days following the closing of such foreclosure sale or grant to Lender by deed in lieu of foreclosure, and notwithstanding any contrary provision of this Membership Plan. Such Membership will be deemed resigned and the Membership Deposit Refund will be paid to the lender, subject to offset, as provided in subparagraph C above.

If a Member defaults under the Membership Plan, the Club will endeavor to notify the lender of such default, but the Club shall not have any liability to the lender due to its failure to provide such notice.

**19. Change of Membership
Designee**

Cliffs Corporate and Executive Memberships and memberships owned by more than one property owner may have appointed designees. The designees may be changed as described below.

**19.1 Cliffs Corporate
and Executive
Membership**

Cliffs Corporate and Executive Memberships may change the Corporate Member Designee as follows:

A. A Corporate or Executive Member Designee may be changed to another individual in the company only once per calendar year, and must be done within thirty (30) days prior to the commencement of the new year for which the new designation is to be effective.

B. The change from one designee to another must be made by the company and acknowledged and approved by the Cliffs Clubs in writing.

C. The company may be required to pay an administrative fee for such Member Designee change, as determined by the Cliffs Clubs at the time the change is requested.

D. All Club account balances of the previous Corporate or Executive Member Designee's account must be paid in full prior to the change to another designee becoming effective. All membership cards and locker keys in the possession of the former Corporate Member Designee must be returned prior to the finalization of the membership designee change.

E. Cliffs Corporate and Executive Memberships may not change the Corporate Member Designee to another individual outside the company for which the Cliffs Corporate and Executive Membership is issued.

19.2 Multiple Property
Owners

Multiple owners of a Cliffs property, whether as tenants in common or otherwise as determined by the Cliffs Clubs, who collectively own a Cliffs Charter or Cliffs Golf Membership, may change the one (1) Golf Member Designee as follows:

A. Such multiple property owners may change the one (1) Golf Member Designee to another co-owner of the Cliffs property only once per calendar year, and must be done within thirty (30) days prior to the commencement of the new year for which the new designation is to be effective.

B. An administrative fee determined by the Club may be charged at the time of a Member Designee change.

C. All Club account balances of the current property owner Member Designee must be paid in full before the Cliffs Clubs processes the Member Designee change. All membership cards and locker keys in the possession of the former Member designee must be returned prior to the finalization of the membership change.

D. The Member Designee being changed must surrender his/her membership card. A new account number will be assigned to the new Member Designee and a new membership card issued.

E. A multiple property owner membership may not change the Member Designee to an individual without an ownership interest in the multiple owner property.

20. Resignation of Member

A. A Member may voluntarily resign his/her membership in his/her Home Club by delivering written notice of his/her resignation to the Membership Office.

B. Verbal notice does not constitute formal resignation, and until written notice is received, the Member is obligated to pay all dues and club account billings. Dues for the month in which the effective date of resignation occurs shall be payable by the Member.

C. Upon resignation, the Member surrenders all rights of club usage and privileges.

D. A Member who resigns is due the refund for the initiation deposit portion of the total membership fee paid. The refundable amount is equal to the initiation deposit paid at the time the Member joined his/her Home Club.

E. A resigned Member will be paid the refund due within a reasonable period of time following such resignation and re-issuance of the resigned membership, consistent with the Cliffs Clubs processing of accounts payable. In the event the membership

classification of the resigned membership has not reached its full complement of members and the resignation does not involve the allowed re-issuance of a Cliffs Golf Membership in a qualifying resale transaction, the initiation deposit refund 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 resigned membership. In the event there is more than one resigned Member awaiting payment of the refund, a repayment priority list will be established, and the refunds will be issued on a first-resigned, first-refunded basis, in accordance with the one for five membership issuance rule for the resigned membership classification for which refund is due. A separate waiting list will be established for each membership classification.

F. No portion of any dues paid by a Member is refundable following resignation.

G. The Club's refund policy applies to all voluntary resignations of the Cliffs Charter, Cliffs Golf, Cliffs Sports, Cliffs Corporate, Cliffs Family, Cliffs Social Athletic, Cliffs Social and Cliffs Temporary Membership classifications from time to time offered and issued by the Cliffs Clubs.

H. Resigning Members must return all membership cards and locker keys and pay all Club account balances due and payable before any refund will be processed; and in the case where a resigned membership is to be placed on a waiting list, placement on the waiting list will be withheld pending such settlement of cards, keys and accounts in full.

I. A Member that voluntarily resigns his/her membership may not reactivate the resigned membership in order to have the membership available to the resale purchaser of the resigned Member's property.

**21. Revocation of Membership;
No Refund Due**

A membership that is revoked due to disciplinary action shall not be entitled to any refund of the initiation deposit paid at the time of the membership application, nor is any refund due for any membership usage fees or any dues paid by the revoked Member.

**22. Recall of Membership;
Refund Due**

Temporary memberships that are recalled or not renewed are due a refund of 80% of the amount of original membership initiation deposit paid by the temporary Member upon joining the Home Club. The refund is payable to the temporary Member within a reasonable period of time following such recall, consistent with the Cliffs Clubs processing of accounts payable.

DEATH/DIVORCE OF MEMBER

23. Death of Member

Upon the death of a Member, the spouse of the deceased Member or a child of the deceased Member who is eighteen (18) years or older is eligible to have the deceased Member's membership reissued in the name of such survivor.

Re-issuance of the deceased Member's membership is subject to compliance with the will of the deceased, and must be communicated in writing to the Membership Office by the legal representative of the estate. The Club may require proof the survivor's entitlement to re-issuance.

In the event the deceased Member's legal representative of the estate communicates that the membership is not to be reissued to a survivor, as above provided, the representative shall also provide written notification of resignation, and refund of the initiation deposit paid by the Member will be paid to the estate of the deceased Member in the same manner as a voluntarily resigned membership pursuant to this Membership Plan. The amount of refund due is the amount of initiation deposit paid at the time the deceased Member joined the Home Club.

In the event the legal representative of a deceased Member fails to provide written notice of a survivor entitled to membership re-issuance or that the membership is resigned, the Cliffs Club may, on its own and following written notice to the estate of the deceased Member declare the membership resigned and recalled, and any refund of the initiation deposit paid by the Member will be paid to the estate of the deceased Member in the same manner as a voluntarily resigned membership pursuant to this Membership Plan.

24. Divorce of Member

In the event that a Member is divorced, the membership is retained by or reissued to the individual who pursuant to agreement of the parties or by legal process is identified as entitled to the membership privileges represented by the divorced Member's membership classification. Until receipt by the Club of such written notice, the named Member shall remain entitled to all membership privileges.

25. Rights of Deceased or Divorced Successor Subject to Membership Classification as for which Special Estate Planning Ownership Applies

In all respects, the membership rights of a deceased or divorced Member will only be reissued to a person otherwise eligible for the deceased or divorced Member's membership classification.

In the event that a request is made that a membership of a deceased or divorced Member be reissued to an individual who does not qualify for that particular classification of membership, the request will be denied, and said membership considered resigned (for instance if the surviving spouse does not succeed to ownership of the Cliffs

property with respect to which the membership was issued), and refund of the initiation deposit paid as provided for in this Membership Plan. Other options which the Club may, but shall not be required to, offer under these circumstances include an upgrade or downgrade of membership classification, based on availability, eligibility requirements and payment of any appropriate fees. The Club also reserves the right, but shall have no obligation to, reclassify a membership, but not the privileges or obligation appurtenant thereto, to take into account underlying property ownership change instituted for estate planning purposes, and upon written request for and consideration and presentation of such documentation and legal opinions as may be requested by the Club as a condition of any such reclassification.

MEMBERSHIP YEAR

26. Membership Year

The membership year of each Home Club shall begin January 1st and end the following December 31st. All membership classifications shall comply with this membership year schedule.

GUESTS

27. Guest Privileges

The following provisions outline the privileges afforded Day Guests, Corporate and Executive Guests, Family Guests, Houseguests and Lessees.

27.1 Member Day Guests

A. A day guest of the Member is required to be accompanied by the Member, unless otherwise permitted by the Cliffs Clubs.

B. A "Local" day guest may not use the golf facilities, tennis, swimming and other recreational facilities of the Home Club more than four (4) times during a membership year. A local day guest is defined as an individual who resides within a seventy-five (75) mile radius of the Member's Home Club (whether full time or seasonal).

C. A day guest's use is further restricted as to the number of times of use, as it relates to the same individual being a day guest of more than one Member during the same calendar year.

D. A Member will be responsible for guest fees for the Member's day guest, as determined by the Cliffs Clubs. Payment may be processed through charges to the Member's account, or through credit card. Day guest fees will apply to use of all club facilities including the golf courses, tennis courts, swimming pools and other social and recreational activities, as determined by the Cliffs Clubs.

A Member must personally call and reserve tee times for any unescorted guests and authorize charge privileges.

E. Day guests will be entitled to use the Club Facilities only in accordance with the privileges of membership as provided for by the sponsoring Member's classification.

F. The sponsoring Member shall be responsible for all charges incurred by the day guest.

G. A sponsoring Member shall be responsible for the conduct and appearance of his day guest, and shall, at the request of the Cliffs Clubs, require the day guest to leave the Club premises if the day guest is determined by the Club to be in violation of the rules and regulations.

H. Day guests must register with the Home Club personally upon arrival.

I. Day guest usage and fee policies apply to all membership classifications as set forth in the Club By-laws, Rules and Regulations, which may be modified from time to time at the sole discretion of the Club's management.

27.2

Corporate and
Executive
Guests

A. Corporate and Executive Member Designees are extended the privilege of hosting day guests at the Club according to the following guidelines.

B. A Cliffs Corporate and Executive Membership does not allow for unlimited use of the Club Facilities by all individuals who are employed by the company or business.

C. Corporate and Executive Member Designees must pre-register their day guests with the Home Club.

D. Corporate and Executive Member Designees must personally call and reserve tee times for any unescorted guests and authorize charge privileges.

E. The "local" day guest rules under 27.1 above apply equally to the number of times per year that a Corporate Designee's day guest may be sponsored.

F. The maximum number of unescorted day guests of a Corporate and Executive Designee is limited at all times. Club management reserves the right to make exceptions. At all times, unescorted guest tee times are subject to availability. The Home Club's on-site manager shall have the right to deny privileges to any unescorted guest.

27.3

Family Guests.

A. From time to time, the club offers preferential guest

fee rates for family members of the Member. These guest fee rates apply to family members playing with the member and include adult children and their spouses and children, parents, and grandparents.

27.4 Houseguests.

A. Family and friends staying within the home of a Member within the community are not subject to the Member Day Guest rules outlined in 27.1B above.

27.5 Lessees.

A. As to a Lessee of a Member's home, club access is contingent upon the membership classification of the homeowner, and subject to the Club Lessee Rules and Policies.

28. Other Guest Usage And Privileges

The Cliffs Clubs may grant persons other than Members the right of use of any or all facilities of the Cliffs Clubs. Such other designated users may include, but shall not be limited to, persons who are employed by the Cliffs Clubs, the development company and its exclusive sales broker, prospective purchasers of property, and other non-members subject to compliance with strict guidelines, schedules and fee structures as determined by the Cliffs Clubs.

The Cliffs Clubs may permit persons to use the facilities for special outings and events, according to guidelines, schedules and fee structures established by the Cliffs Clubs.

DISCIPLINE OF MEMBERS

29. Reasons For Discipline

A Member, or any of his/her family or guests may be subject to disciplinary action by the Cliffs Clubs for any of the following reasons, or any other action deemed to be "Conduct unbecoming a Member of the Cliffs Clubs:"

A. Submission of false information on a membership application, or application for guest or lessee privileges.

B. Permitting a membership card or Club account to be used by anyone other than the designated Member, or as otherwise allowed in accordance with this Membership Plan.

C. Non-payment of any fees, dues, charges and other indebtedness due and owing the Cliffs Clubs within the time required.

D. Exhibiting conduct that is prejudicial to the good order, harmony, reputation, health, safety, morals or general welfare of the Cliffs Clubs, or its Members and their families, as determined solely by the Cliffs Clubs.

E. Exhibiting conduct that is disruptive, abusive, incompatible with, or offensive or disagreeable to the Members of the

Club, their families and guests, as determined solely by the Cliffs Clubs.

F. Displaying conduct which, in the sole and absolute discretion and opinion of the Cliffs Clubs, is abusive to management or staff or an affiliate's employees.

G. Exhibiting behavior which is considered lewd or vulgar, including the excessive use of profane language, or which constitutes or evidences habitual or repeated drunkenness, or use of drugs or controlled substances, as determined solely by the Cliffs Clubs.

H. Solicitations of any kind, including but not limited to, mail, telephone or email, made by use of the published membership directory or the Club's website.

I. The violation of any rules and regulations of the Cliffs Clubs, including, without limitation, this Membership Plan, and other rules and regulations promulgated by a Cliffs Clubs, at any time governing Member conduct and use of Club property or facilities.

J. The Cliffs Clubs, taking into account the nature and gravity of the conduct involved, may in its sole and absolute discretion, reprimand, place on probation, suspend, expel or refuse to renew the membership of any Member who is in violation of the offense.

K. The Cliffs Clubs may restrict, suspend, or terminate any Member's right to use any or all of the Cliffs Clubs' facilities at the discretion of the Cliffs Clubs.

L. A Member who is suspended due to disciplinary action, is not entitled to any refunds of initiation fees or dues, and is liable for full payment of outstanding club account balances.

M. A Member, who is temporarily suspended from use of Club Facilities, is liable for payment of monthly dues and other charges in a proper and timely matter. The temporarily suspended Member cannot be reinstated as a Member in good standing, until all outstanding account balances are paid in full.

N. In the event a membership is permanently terminated by the Cliffs Clubs, constituting an involuntary resignation, the Member waives all rights to any guaranteed membership re-issuance in accordance with this Membership Plan or the right of refund of initiation deposit as herein provided.

O. A permanently suspended former Member shall not, under any circumstances, be entitled to consideration for membership

application in the future, and may be prohibited from being admitted to use Club Facilities under any circumstances, including as a day guest or lessee.

PERSONAL INJURY AND LOSS OR DESTRUCTION OF PROPERTY

30. Member Responsibilities and Indemnities

A. Each Member, as a condition of membership, and each guest as a condition of invitation to the Cliffs Clubs Facilities, assumes sole responsibility for his/her personal property.

B. Neither the Cliffs Clubs nor club staff are responsible for any loss or damage to any private property used or stored on the premises of the Cliffs Clubs, whether in lockers or elsewhere.

C. Any personal property left in, or on Club property, for more than six (6) months, without payment due for any applicable storage facilities, will be sold by the Cliffs Clubs, with or without notice, at a public or private sale, or may be otherwise disposed of, and the proceeds, if any, shall be retained by the Cliffs Clubs.

D. No person shall remove, or rearrange any property or fixtures belonging to the Cliffs Clubs to a different location or position, without proper authorization from the Cliffs Clubs' management.

E. All Members are liable for any property damage or personal injury at the Club Facilities, whether during normal usage, or at any activity or function which is sponsored by the Cliffs Clubs, if such damage or injury is caused in whole or in part by the Member, his/her family, or guests. The cost of such damage shall be charged to the Member's account. Persons responsible for any damage are subject to suspension or termination for the refusal to make restitution therefor.

F. All Members, guests, and other persons who in any manner, make use, or accept use of any apparatus, appliance, facility, or privilege or service provided by the Cliffs Clubs, or who engages in any contest, game, function, exercise, competition, or other activity operated, organized, arranged or sponsored by the Cliffs Clubs, shall do so at his/her own risk, and shall hold the Cliffs Clubs, its management and employees, affiliates, directors, representatives and agents harmless from any and all loss, cost, claim, injury, damage or liability sustained or incurred by him/her resulting therefrom, or from any act or omission, including the negligence, of the Cliffs Clubs, its management and its employees, affiliates, directors, representatives and agents.

G. Should any party bound by these rules and regulations bring suit against the Club, its management and/or employees,

affiliates, directors, representatives and agents in connection with any event operated, organized, arranged or sponsored by the Cliffs Clubs or any other claim or matter in connection with membership in the Club, and fail to obtain judgment therein against them, said party shall be liable to the Cliffs Clubs, its management and employees, affiliates, directors, representatives and agents for all costs and expenses incurred by the action in the defense of such suit.

TRANSFER OF CLUB OR CLUB FACILITIES

31. Sale of Club to a Third Party

The Cliffs Clubs reserves on behalf of itself, its successors, successors-in-title to the Club Facilities, and assigns, the right, in its sole discretion, to sell, convey or otherwise transfer ownership of the Cliffs Clubs or any of the Cliffs Clubs' Facilities to any entity whatsoever, subject to the rights of Members set forth in this Membership Plan.

The Cliffs Clubs hereby reserves the right, on behalf of itself, its successors, successors-in-title to any and all Club Facilities, and assigns, in connection with the sale or transfer of any or all Club Facilities, to terminate all memberships without liability, except payment of any refund that would be due and payable, as hereinafter provided, at any time upon sixty (60) days prior written notice to all Members. Nothing herein shall obligate the Cliffs Clubs to terminate memberships upon sale or transfer of any or all Club Facilities, nor shall any Member be entitled to any refund of membership fees due to such sale or transfer except in the event of termination as provided herein.

In the event of termination of memberships in connection with the sale or transfer of any or all Club Facilities, all membership classifications shall be entitled to a refund of the initial initiation deposits actually paid by such Members for membership in the terminated Home Club.

Any membership dues or other charges due from the terminated Member may be offset against any refund to which such Member may be entitled. Any periodic dues paid by a Member that are applicable to the period after such termination shall be refunded to the Member.

This Paragraph 31 shall apply only to involuntary termination of memberships in connection with a sale or transfer of a Cliffs Clubs' Facilities by the Cliffs Clubs and shall not apply to termination of membership privileges under any other circumstances.

32. Sale of Club to the Members

The Cliffs Clubs, on behalf of itself, its successors, successors-in-title to Club Facilities, and assigns, hereby reserves the right to, but shall be under no obligation to, offer to sell any or all of

the Club Facilities to the Members, or a group thereof, or convert, in whole or in part, the Cliffs Clubs to an "equity" club or similar arrangement whereby the Members, or an entity owned or controlled by the Members, becomes the owner or operator, or both, of the Club Facilities. The acquisition price of the Club Facilities, if any is established, or the Cliffs Clubs, acting either alone or in conjunction with the entity group the Members may select to represent themselves, will establish the acquisition price of a membership in any such "equity" club. In such event, the Cliffs Clubs, on behalf of itself, its successors, successors-in-title to the Club Facilities, and assigns, reserves the right to:

(1) terminate all memberships without liability at any time upon sixty (60) days' prior written notice to all the Members of the sold Club Facilities and;

(2) refund, or credit towards the acquisition of a membership in an equity club established for the Club Facilities, such portion of the initiation deposit paid by a Member for membership in the Cliffs Clubs, which the Cliffs Clubs shall determine, in the exercise of its sole discretion.

Nothing herein shall obligate the Cliffs Clubs to terminate memberships upon sale or transfer of Club Facilities to the Members or conversion of the Cliffs Clubs, in whole or in part, to an "equity" club, nor shall any Member be entitled to any refund of initiation deposits or other membership fees as a result of such sale, transfer, or conversion except as determined in the sole discretion of the Cliffs Clubs. Any membership dues or other charges due from the terminated Member may be offset against any refund to such Member. Any periodic dues paid by a Member that are applicable to the period after such termination shall be refunded to the Member.

33. Dissolution of the Club

The Cliffs Clubs hereby reserves the right, on behalf of itself, its successors, successors-in-title to the Club Facilities, and assigns to terminate all memberships and proceed to dissolve the Cliffs Clubs, without liability, at any time upon sixty (60) days' prior written notice to all Members.

In the event of such termination of memberships, all membership classifications of the terminated Club shall be entitled to a refund of the initiation deposit actually paid by such Member for that membership classification.

Any membership dues or other charges due from the terminated Member may be offset against any refund to which such Member may be entitled. Any periodic dues paid by a Member that are applicable to the period after such termination shall be refunded to the Member.

ADVISORY BOARD

34. Advisory Board

The Cliffs Clubs may establish a process for the appointment or election of an advisory board for each Home Club consisting of Members of the Home Club. The advisory board will serve in an advisory capacity only, and will have no duty or power to act on behalf of the Cliffs Clubs, the Home Club or the Home Club's Members, whether individually, or collectively.

35. Advisory Board Shall Meet with Club Management

The Cliffs Clubs' management will designate the Home Club Director, Head Golf Professional, Director of Golf, Head Superintendent, and Members of Senior Management, or any one or a committee of them, to meet with the Advisory Board to discuss the operation of the Home Club Facilities.

RULES AND REGULATIONS

It is the intent of the Cliffs Clubs to limit these Rules and Regulations to the minimum required for the mutual enjoyment of a Home Club's Facilities by all the Home Club's Members and their guests.

The obligation of enforcing these Rules and Regulations for the good of all Members is placed primarily in the hands of a carefully selected and trained staff whose principal responsibility is to assure you of all the courtesies, comforts, and services to which you, as a Member of a Home Club, are entitled.

It is further the responsibility of the membership of the Home Club to know these Rules and Regulations and to cooperate in their enforcement.

For purposes of these Rules and Regulations, "Club" will refer to any one of the Home Clubs as defined in this Membership Plan.

SECTION I. GENERAL CLUB RULES

- A. **HOURS OF OPERATION** - The hours of operation of the Club, and any or all of the Club's facilities will be established, posted and published by the Club, and may be adjusted seasonably or otherwise, as member usage and other conditions may require.
- B. **DRESS STANDARDS** - Members of the Club and their families and guests shall at all times be in attire appropriate for the area of the Club in which they are located. The term "appropriate attire" shall mean and be defined as clean, presentable clothing in good condition and not to be offensive to other Members of the Club. The Club Ownership and management shall have the authority to determine what constitutes "inappropriate attire", and may request anyone who is in violation of this provision to leave the Club premises, or particular area of the Club.

Shirts and shoes are required at all times on the Club premises. Bathing suits may be worn only in the designated pool areas.

Exceptions to the standard dress code, or additional dress requirements will be published and posted for notification.

Jeans are not allowed in the clubhouse areas or on the golf courses. Jeans are defined as denim of any color, and/or any shorts or pants of denim material that are riveted and of a western cut and style. Casual attire is permitted in locations other than the clubhouse and golf course, i.e. wellness centers.

- C. **ALCOHOLIC BEVERAGES** - All Members acknowledge, agree and understand that at all times, the Member, his/her family and guests, and all employees of the Club will comply with the applicable laws, rules and regulations, concerning the possession, sale, distribution and consumption of alcoholic beverages, according to the laws of the state of the applicable facility's location.
- D. **FOOD AND BEVERAGE** - All food and beverage consumed at the Club Facilities shall be furnished by the Club. Employees of the Club are not permitted to deliver any food and beverage outside areas designated by the Club.
- E. **SOLICITATION** - Except as expressly permitted by the Club, no commercial advertisements shall be posted, or circulated in the Club or on the Club's website, nor solicitations of any kind be made at the Club Facilities, or on Club stationery. Other than as permitted by the Club, no

petition shall be organized, solicited, circulated or posted at the Club Facilities. No solicitations of any kind, including but not limited to, mail, telephone or email, shall be made by use of the published membership directory or any other membership information.

- F. **EMPLOYEES** - Matters of staff and employee discipline are the sole responsibility of the Club Ownership and management. Accordingly, a Member, his/her family or guest shall not be permitted to reprimand, discipline or abuse, whether verbally or otherwise, any staff member of the Club. Complaints regarding the conduct or mannerisms of any staff member should be reported to the ownership or management immediately.

Members, their family or guests shall not interfere in the administration or performance of employees' duties. Employees may not be sent from the premises for personal errands or business of the Members. Members, their family or guests may not request special personal services or favors from employees.

- G. **ENTERTAINMENT** - No performance by entertainers will be permitted at the Club Facilities without permission of the Club.

- H. **VEHICLES/PARKING** - Vehicles must be parked in such areas as designated by the Club. Vehicles should not be parked on grass lawns, at the front entrance or delivery areas of the Club, or any place that interferes with the normal flow of traffic, unless the Club grants special permission. Unlicensed vehicles are not permitted on Club property without the permission of the Club.

- I. **COMPLAINTS** - All complaints concerning the normal operations of the Club, its employees and other matters must be directed to the appropriate senior manager. All complaints concerning a manager or Club Director should be made in writing, to the Senior Club Director, or appropriate Vice President of The Cliffs Communities, Inc., specifying the particular offense or concerns, and signed and dated by the complainant.

- J. **PETS** - Dogs and other pets (with the exception of Seeing Eye dogs) are not permitted at the club facilities, except under special circumstances, or where authorized by the Club. When dogs are permitted on Club property, they must be leashed.

- K. **FIREWORKS** - Fireworks of any type are not permitted anywhere on Club property, or adjacent areas, unless a fireworks display or exhibit is organized and conducted by the Club.

- L. **OFF-LIMIT AREAS** - Members, their families or guests, are not permitted in the kitchen and service areas of the Club, or in certain maintenance areas located on club property.

- M. **GROUP FUNCTION** - Use of the club facilities may be restricted or reserved by the Club, or Club Director for special group functions and activities. All group functions must be reserved in accordance with reservations and usage policies, and through the Club management.

- N. **AUTHORITY** - The Club personnel has full authority to enforce all rules and regulations, and any infractions will be reported to Club Ownership or management. All rules and regulations are subject to amendment or modification at the sole discretion of Club Ownership.

SECTION II. AUTOMOBILE DECALS

Access onto the property of the Club will be granted upon obtaining an automobile decal or appropriate guest pass from the Public Safety office. Proof of vehicle registration is required for a permanent automobile decal. Vehicles must be registered in the name of the Member or eligible family members.

SECTION III. SERVICE CHARGES AND TAXES

A standard service charge is added to all food and beverage purchases, and for services provided according to the schedules as determined by the Club. The Club is required to add state sales tax to food and beverage totals including service charges. The Club is required to charge state sales tax on all purchases. A state admissions tax may be required on all guest and greens fees.

SECTION IV. MAILING ADDRESSES

Each Member shall be responsible for filing his/her correct and current mailing address, and any changes, with the Club in written form. All notices and statements from the Club will be sent to the address on file. Failure to receive such billings and notices on time, does not justify the excuse for late payment to the Club.

SECTION V. CLUB SERVICES AND ACTIVITIES

- A. The Club provides a variety of social, cultural and recreational events in which Members are entitled to participate, except in the event of a private party function, not considered open to all Members. All Membership functions will be published in the Club bulletin, newsletters or web page.
- B. Certain events at the Club may have limited reservations available. Reservations will be required for most events, and are accepted on a first-come basis by the appropriate personnel in charge of reservations.
- C. Reservations made by a Member for accommodations, meals, festivities, etc. may be charged to the Member making the reservation regardless of whether the reservation was used; unless it was cancelled not less than 24 hours prior, or as noted for Special Functions, prior to the date for which it was scheduled.
- D. Use of the Club for private parties and functions is encouraged, providing these events do not interfere with the normal operation of the Club, or with the services regularly available to all Members. Private parties are not permitted without prior approval from the Club Director. The Member who reserves a private party is held responsible for the conduct of the guests, for all charges incurred by the guests, and any damage caused by the guests. The Club may require a security deposit prior to the function.

SECTION VI. CHILDREN

Children under the age of sixteen (16) years old, are not allowed in the Members' locker rooms and must be accompanied and supervised by an adult when using the Club's facilities. Children under the applicable drinking age are not allowed in any bar area, unless accompanied by an adult. Children under the age of sixteen (16) are allowed to use the golf course and other club recreational facilities only at the

discretion of the Club management and when accompanied by an adult. Children are not allowed to play on the golf course and cart paths. Bicycles and pets are not allowed on cart paths.

SECTION VII. GOLF RULES

To preserve the freedom and to maximize the enjoyment of all Members of the Club, their families and guests in their use and enjoyment of the golf courses, golf practice facilities, and other golf-related equipment and amenities, the Club has the sole responsibility and authority to enforce certain rules and regulations. Members of the Club and all staff members are to report any violations to the Club Director who has the authority to enforce and discipline offenders. Members of the Club shall have no authority to enforce the rules and regulations, and are not requested to do so. The following rules and regulations shall be in effect, and are subject to change from time to time:

A. STARTING TIMES

All the players must have a designated starting time assigned prior to commencement of play. All players must register in the golf shop before each round of play. Players shall start from the 1st or 10th tee as directed by the golf shop personnel. Starting is not permitted on any other hole, by anyone, unless so directed by the golf shop personnel. Registration is required ten (10) minutes prior to the reserved tee time. Members should present their membership card upon registering. Twosomes and singles will be grouped with other players, if available, and by decision of the golf shop personnel. Twosomes have no priority over foursomes, regarding play through, or dictating speed of play.

B. CANCELLATIONS

It is necessary to cancel your reserved tee time as soon as possible. Members repeatedly failing to show for assigned tee times without giving sufficient notice to the golf shop, may be billed the retail value of such times, and shall be subject to denial of future reservation privileges.

C. RAIN CHECK POLICY

When inclement weather prevails and causes termination of play, as determined by the golf shop personnel, a credit for all, or a portion of that day's greens fees and cart fees may be given. Credit will only be issued on that day of play, and it is the responsibility of the player to apply for a rain check from the golf shop. No play is allowed during dangerous weather conditions as determined by the golf shop personnel.

D. CONTROL/RULES OF PLAY

The use of and play on the golf courses shall at all times be subject to the control of the Club's Head Golf Professional and his/her designated assistants. The Golf Course Superintendent in consultation with the Head Golf Professional shall determine when weather and other conditions dictate the closing of portions, or the entire course; or the prohibition of, or imposition of limitations upon the use of golf carts. Golf course rangers may be on duty to help regulate play and to enforce golf cart regulations, and have the full authority vested in them by Club management to enforce all rules and regulations, speed of play and course etiquette. "Course closed", and "hole closed" signs are to be adhered to without exception. Practice is not allowed on the golf courses. The practice ranges and practice greens should be used for practice. Range balls provided by the golf shop are to be used on the practice ranges. A player cannot hit his own shag balls. The United States Golf Association rules shall govern all play, except when modified by local rules. Players should play to pace, or invite the following group through, should they fall one clear hole behind the group in front of them. If a

group stops at the turn, and allows the following group to overtake, and pass them, the group stopping at the turn shall forfeit its place and must wait until the next available opening to resume play.

E. GOLF COURSE ETIQUETTE

All players are expected to observe customary golf course etiquette including, but not limited to: raking bunkers, replacing divots, repairing ball marks, proper disposal of litter, abstention from use of loud or abusive language, proper attire, and basic safety regarding timing of shots. All players must be ready to make their shot when it is their turn, and should play out of turn, if doing so will contribute significantly to the progress of their group. When the play of a hole has been completed, players should immediately leave the green. Scoring for the hole can be done while others in the group are playing at the next tee. Players searching for a lost ball should allow others to play through. A player should ensure that, when dropping bags or the flagstick, no damage is done to the green. A player should ensure that any turf that is cut or displaced by him/her is replaced and/or repaired.

F. HANDICAPS

Handicaps are computed under the supervision of the Head Golf Professional in accordance with current USGA recommendations. Accurate records are to be kept of scores turned in and recorded for all full rounds played.

G. EQUIPMENT

All players must have a golf bag, a set of golf clubs, and wear appropriate golf shoes, as established by the Golf Pro and posted in the pro shop, when on the golf course. Two or more players may not play out of the same bag, or otherwise with a single set of clubs.

H. DRESS CODE

All players must be appropriately attired on the golf courses and at the practice facilities at all times. Members are responsible for informing their family members and guests of the proper dress code prior to their visiting the Club. Anyone not complying with the dress code may be asked to change his attire before gaining access to the course, or be asked to leave the premises due to lack of cooperation with the rules and regulations regarding appropriate attire.

The following are considered appropriate dress code regulations:

MEN - Shirts with either a regular collar or mock turtleneck collar and sleeves, slacks or golf shorts. No tank tops, t-shirts, cut-offs, cargo shorts or pants, sweat pants, bathing suits, jeans or athletic shorts are permitted.

WOMEN - Dresses, skirts, slacks, golf shorts, and golf shirts (collar or mock turtleneck) and blouses. No tank tops, t-shirts, bathing suits, sweat pants, athletic shorts, jeans or short shorts are permitted.

JEANS are defined as denim materials of any color, or any denim shorts or pants of any color that are riveted and cut in a western style.

WELLNESS CENTER – Members must wear proper shoes for using the fitness equipment. No sandals, hard soles such as cleats or other shoes that damage any flooring in the wellness center.

I. GOLF TEE TIMES

The golf shop personnel will assign the tee times depending on availability. Reserved tee time policies are provided for certain membership classifications. All players must have a reserved tee time, and all four (4) players' names are to be recorded. Singles and twosomes play at the discretion of the golf shop staff. Fivesomes are not permitted. The golf shop staff must approve tee time changes. Failure to register within 10 minutes of your tee time may result in forfeiting the tee time. Cancellation without proper notice, or not showing up for a designated, reserved tee time, is cause for forfeiture of future reservation privileges. Additionally, the Club may impose a cancellation fee, which may, in the Club's sole discretion, be billed directly to the member's Club account without notice.

J. PRACTICE FACILITIES

All players must register with the golf shop prior to using the practice facilities.

Range balls are for use on the practice range only. Range balls are not permitted for use on the golf course.

Range balls must be acquired through the payment of a fee, if any, as set forth by the Club.

Range balls must be hit from the designated areas only. No hitting is permitted from the rough or sides of the range.

Proper attire is required at all times on the practice range and practice green.

K. GOLF CART RULES

A Member or guest player without proper assignment and registration in the golf shop shall not use golf carts.

Each operator of a golf cart must be at least sixteen (16) years of age and have a legal drivers license.

Rental golf carts, or privately owned golf carts, or golf cars are not permitted on the courses.

No more than two (2) people and no more than two (2) sets of clubs per cart are permitted on a single golf cart.

Golf carts should not be driven off course property, into heavily wooded areas, onto casual water, or "soft" areas, or on newly seeded areas.

Golf carts must stay on the cart paths, unless permitted off the path by the Clubs. All "carts on path" signs must be adhered to, and all traffic signs obeyed.

Operation of a golf cart is at the risk of the operator. Any cart damages or malfunctions must be reported to the golf shop immediately. Members, their families and guests are responsible for the cost of repairs and damages to carts if it is determined that the damage was caused due to failure to comply with rules and regulations, and basic safety.

Players are permitted to walk on the courses, the playing times of which are at the discretion of the golf shop personnel.

L. CLUB STORAGE

All golf equipment items, such as bags and clubs, are to be stored in the club storage facilities, and not in locker rooms.

M. MISUSE OF GOLF COURSE

The use of the golf courses and all golf practice facilities for any other purpose than golf is prohibited, unless otherwise pre-approved by Club management.

No fishing, swimming or boating shall be permitted on the ponds and lakes associated with the golf course.

SECTION VIII. TENNIS RULES

- A. Hours of operation for the tennis courts will be determined by the Clubs, and adjusted according to seasons. Hours of operation will be published and posted for notification to the Members.
- B. Management has the authority to prohibit play on the tennis courts at any time due to inclement weather, or other poor playing conditions.
- C. All tennis players must have a reserved court time, and must register with the Wellness Center prior to play. Players are required to present their membership or guest card when registering. All names in the playing party must be given at the time of reservation. Advance reservation times may vary seasonally.
- D. Play is limited to two hours for singles and two hours and-a-half for doubles. If there are no players waiting to play, players do not have to vacate the court. After starting play, playtime may not be extended by adding players to your party, if others are waiting. Players may not sign up for additional court time before their initial court time is over. Practice time is limited to sixty (60) minutes for a single.
- E. Waiting players must secure their court at the designated time. Late arrivals are cause for cancellation of the reserved time, which may be awarded to another player. Court reservations will be held for fifteen (15) minutes before being awarded to other players who are waiting.
- F. Cancellations without proper advance notice, or not showing up for a designated reserved court time are cause for forfeiting future reservation privileges. Additionally, the Club may impose a cancellation fee, which can be billed directly to the Member's account.
- G. If the courts are not playable, notice will be posted.
- H. All players must wear regulation tennis shoes. Basketball, or other sport shoes are not allowed. Proper tennis attire is required at all times, and for all ages of players. Shirts must be worn at all times. Bathing suits, tank tops, cut-offs, jeans and other non-tennis apparel as determined by the Club are not permitted.
- I. Adults have certain priority playing times as determined by management. Individuals sixteen (16) years of age and older are considered adults as it relates to priority playing times.

- J. Courts may be reserved for special tennis lessons and clinics, and socials as determined by management.
- K. Members must register their guests in the wellness center, and pay the appropriate guest fees, if applicable. All local guest rules apply as outlined in the Club Membership Plan.
- L. Members are responsible for the conduct and etiquette of their family members, children and guests.
- M. Children under the ages six (6) years of age are not allowed in the tennis court areas at any time. Parents are not allowed to play tennis while children are unattended at the court and club site.

SECTION IX. SWIMMING POOL RULES

- A. Hours of operation for the swimming pool will be determined by the Club, and adjusted according to seasons. Hours of operation will be published and posted for notification of the Members.
- B. Swimmers are required to wear shirts and footwear when walking between any of the Club's facilities and pool.
- C. Swimming attire is not allowed to be worn in the clubhouse area, unless in designated access areas to showers and locker rooms. Proper swimming attire must be worn in the swimming pool. No cut-off pants, tennis shorts or other inappropriate clothing are allowed.
- D. At all times, a Member shall use the pool facilities at his/her own risk.
- E. Non-swimmers and novices will not be allowed in deeper water or in the diving area. They are not allowed in the pool area unless supervised by a parent.
- F. A Member must accompany all guests, and guest fees may be charged. All guest rules apply as outlined in the Club Membership Plan. Members and guests must register with the club personnel before entering the pool area. All local guest rules apply as outlined in the Club Membership Plan.
- G. Small children must be accompanied by adults in any pool area. Pets are not allowed in any pool area. Children ages 12 and under are required to have an adult chaperone with them at all times.
- H. Non-swimming equipment is not allowed in the pool. A club staff member has full authority to determine what types of swimming apparatus are permitted.
- I. Parents shall be responsible for the conduct of their children at all times.
- J. Members shall be responsible for the conduct of their family members and guests.
- K. No food or beverage is to be brought to the pool from the outside.
- L. All Members and guests are to comply with any additional posted rules and regulations at all times. Participants not in compliance with rules and regulations may be asked to leave the club premises, and are subject to disciplinary action as outlined in the Club Membership Plan.

SECTION X. WELLNESS CENTER

- A. All Members using the fitness area and equipment must register with the Wellness Center.
- B. Children under the age of sixteen (16) may not use fitness equipment without parental supervision. Children under the age of twelve (12) are not permitted in the fitness areas.
- C. Use of the fitness equipment is at the sole risk of the participant. Members are advised to seek medical advice regarding their individual physical ability and use of fitness equipment.
- D. Proper exercise attire is required of all Members and guests. The Club reserves the right to determine if workout outfits are neat and tastefully appropriate. Shirts and shoes are required at all times.
- E. Food and beverage is not allowed in the fitness area.
- F. Proper etiquette is required at all times from Members and their guests. Members are ultimately responsible for the conduct and dress of their guests.
- G. All local guest rules apply as outlined in the Club Membership Plan. The Member must accompany Guest at all times.

NPMB1:4029.27-RD-(BFK) 021723-00026

April 10, 2012
14903 Live Oak Springs Canyon Road
Canyon Country, California 91387

BMC Group, Inc.
Attn: The Cliffs Club & Hospitality Group,
Inc., et al, Claims Processing
18675 Lake Drive East
Chanhassen, MN 55317-3020

Dear BMC Group, Inc.

Enclosed is the original and one copy of a Proof of Claim relating to the bankruptcy case of The Cliffs at Glassy Golf & Country Club, LLC in the United State Bankruptcy Court, District of South Carolina (Case number 12-01234. Please file the original Proof of Claim and conform the duplicate with your filing stamp and return it to me at the following address:

Robert A. Scharlach

14903 Live Oak Springs Canyon Road

Canyon Country, CA 91387

Thank you for your assistance in this matter.

Very truly yours,

A handwritten signature in cursive script that reads "Robert A. Scharlach". The signature is written in dark ink and is positioned above the printed name.

Robert A. Scharlach

Sender's Name Robert Scharlach Phone (213) 593-6749

Company

Address 14903 Live Oak Springs Canyon Road

City Canyon Country State CA ZIP 91387

2 To BMC Group Inc. Phone

Recipient's Name Attn: The Cliffs Club & Hospitality Group Inc

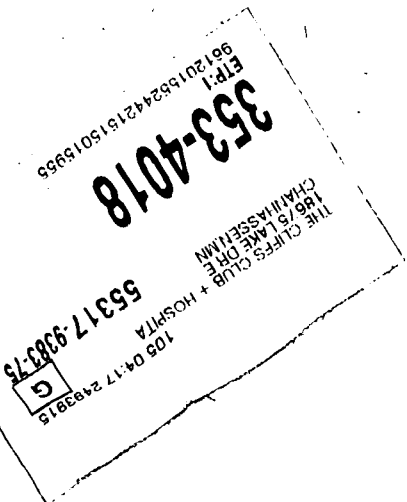
Company

Address Claims Processing

Address 18675 Lake Drive East

City Chanhassen State Dep. from State Room ☐ HOLD at Location

Country USA ZIP 55317-3020 Postal Code 55317-3020



From:

Ship Date: 10APR12
Acting: 1.0 LB
CAD: 9612/0FFC1242

Part # 156297-435

TO THE CLIFFS CLUB + HOSPITALITY GROUP
BMC GROUP

18675 LAKE DRIVE
CLAIMS PROCESSING
CHANHASSEN, MN 55317

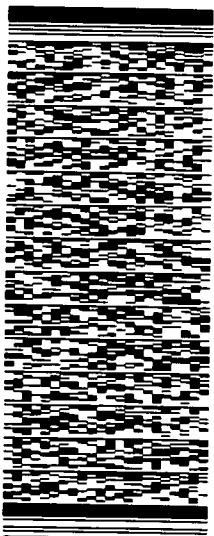
APR 16 2012

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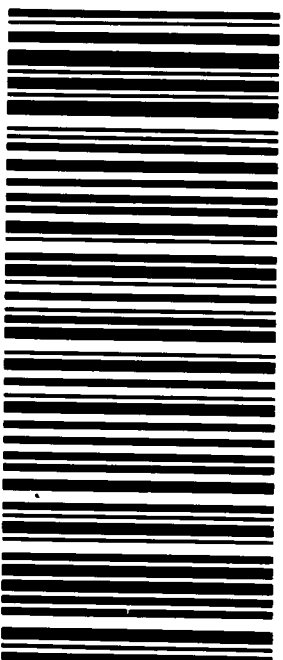
FedEx

Group 1

Rel: INV: PO: Dept:



1 of 1



GND
Prepaid
DIRECT SIGN

(9612015) 5244215 15015955