

| UNITED STATES BANKRUPTCY COURT DISTRICT OF SOUTH CAROLINA | | Proof of Claim |
|---|---|--|
| Name of Debtor: The Cliffs Club & Hospitality Group, Inc | Case Number: 12-01220 | |
| 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): Steve B. Carlile & Penny Carlile JT WROS | | |
| Name and address where notices should be sent: Steve and Penny Carlile c/o Bill Rothschild Ogier, Rothschild & Rosenfeld, P.C. 170 Mitchell Street, S.W. Atlanta, GA 30303-3424 Telephone Number: 404 525 4000 email: br@orrem.com | | <div style="text-align: center; font-weight: bold; font-size: 1.2em;">RECEIVED MAY 31 2012 BMC GROUP</div> <div style="margin-top: 10px;"> <input type="checkbox"/> Check this box if this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____ </div> |
| Name and address where payment should be sent (if different from above): Telephone Number: _____ email: _____ | | <input checked="" 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. |
| 1. Amount of Claim as of Date Case Filed: <u>\$200,000.00, plus interest and fees in an undetermined amount</u> If all or part of your claim is secured, complete item 4. If all or part of your claim is entitled to priority, complete item 5. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach a statement that itemizes interest or charges. | | |
| 2. Basis for Claim: <u>Money loaned</u> (See instruction #2) | | |
| 3. Last four digits of any number by which creditor identifies debtor: <u>No. 74</u> | 3a. Debtor may have scheduled account as: <u>Series B Note due 2017</u> (See instruction #3a) | 3b. Uniform Claim Identifier (optional): (See instruction #3b) |
| 4. Secured Claim (See instruction #4) Check the appropriate box if your 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 checked="" type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input checked="" type="checkbox"/> Other Describe: <u>collateral described in Trust Indenture dated April 30, 2010, among the debtor, Wells Fargo Bank, NA as Trustee et al.</u> Value of Property: \$ _____ Annual Interest Rate: <u>12</u> % <input checked="" type="checkbox"/> Fixed or <input type="checkbox"/> Variable, plus amount equal to annual dues payment, plus more during default as set forth in the note (when case was filed) | | |
| Amount of arrearage excluding interest and other charges, as of the time case was filed, included in secured claim, if any: <div style="text-align: right;">\$ <u>200,000.00</u></div> Basis for perfection: <u>see Indenture</u> Amount of Secured Claim: <u>\$Unknown</u> Amount Unsecured: <u>\$ unknown</u> | | |
| 5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls into one of the following categories, check the box specifying the priority and state the amount. | | |
| <input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B). | <input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier - 11 U.S.C. §507(a)(4). | <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507(a)(5). |
| <input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507(a)(7). | <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. §507(a)(8). | <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. §507 (a)(____). |
| Amount entitled to priority: \$ _____ | | |
| *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 adj. | | |
| 6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6) | | |

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B10 (Official Form 10) (12/11)

7. **Documents:** Attached are **redacted** copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or 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
(attach copy of power of attorney, if any.)
- ☐ I am the trustee, or the debtor, or
their authorized agent.
(See Bankruptcy Rule 3004.)
- ☐ I am a guarantor, surety, indorser, or
other codebtor.
(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: William L. Rothschild

Title: attorney

Company: Ogier, Rothschild & Rosenfeld, P.C.

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

170 Mitchell Street

30303-3424

Telephone number: 404 525 4000

email: br@orrem.com


/s/ Bill Rothschild
(Signature)

May 29, 2012
(Date)

Penalty for presenting fraudulent claim: Fine of up to \$500,00 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

[Face of Note]

Series B Note due 2017

No. 74

\$200,000

THE CLIFFS CLUB & HOSPITALITY GROUP, INC.

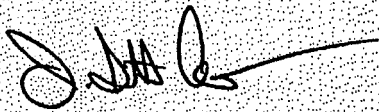
promises to pay to Steve B. Carlile and Penny Carlile JT WROS the principal sum of TWO
HUNDRED THOUSAND DOLLARS (\$200,000.00) on April 30, 2017 plus any Bonus Payment then
due (calculated as provided on the back of this Note).

Interest Payment Dates: January 15, beginning January 15, 2011

Record Date: December 31

[Signatures to follow]

THE CLIFFS CLUB & HOSPITALITY GROUP, INC., a
South Carolina corporation

By: 
Name: J. Scott Carlton
Title: President

This is one of the Notes referred to
in the within-mentioned Indenture:

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: 
Authorized Signatory

Dated: 4/30/2010

[Back of Note]
Series B Note due 2017

THE ISSUANCE OF THESE SENIOR NOTES HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE LAWS AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OFFERED, PLEDGED OR OTHERWISE DISTRIBUTED FOR VALUE UNLESS SUCH SALE, TRANSFER, ASSIGNMENT, OFFER, PLEDGE OR OTHER DISTRIBUTION FOR VALUE IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT AND APPLICABLE STATE LAWS.

NEITHER THIS NOTE NOR ANY INTEREST HEREIN SHALL BE TRANSFERRED TO A "BENEFIT PLAN INVESTOR" EXCEPT AN INDIVIDUAL RETIREMENT ACCOUNT ("IRA") WHICH IS NOT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR TO ANY ENTITY IN WHICH A "BENEFIT PLAN INVESTOR" OTHER THAN AN IRA WHICH IS NOT SUBJECT TO TITLE I OF ERISA IS OR WILL INVEST. FOR THE AVOIDANCE OF DOUBT, THE TERM "BENEFIT PLAN INVESTOR" INCLUDES ALL EMPLOYEE BENEFIT PLANS SUBJECT TO PART 4, SUBTITLE B, TITLE I OF ERISA, ANY PLAN TO WHICH SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, APPLIES AND ANY ENTITY, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS," AS DEFINED UNDER 29 CFR SECTION 2510.3-101 AND SECTION 3(42) OF ERISA, BY REASON OF A PLAN'S INVESTMENT IN SUCH ENTITY.

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) **Interest and Bonus Payment.** The Cliffs Club & Hospitality Group, Inc., a South Carolina corporation ("the Issuer" or the "Issuer"), promise to pay or cause to be paid interest on the principal amount of this Note at the rate greater of (a) 12% per annum, or (b) the total annualized return on the Series A Notes, payable in cash in arrears on each Interest Payment Date (as defined below), from January 15, 2011 until April 30, 2017 (the "Maturity Date"). The Issuer will pay interest annually in cash in arrears on January 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "Interest Payment Date").

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be January 15, 2011. The Issuer will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at a rate that is 1% higher than the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 365/366 day year.

In addition, on the Maturity Date, the Issuer promises to pay or cause to be paid an additional payment on the Notes in an amount equal to the Bonus Payment, if any, that would have been required to be paid with respect to the Notes if the Notes had been redeemed pursuant to an optional redemption on the Maturity Date.

(2) **Method of Payment.** The Issuer will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on December 31 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest at the office or agency of the Paying Agent and Registrar within the City and State of New York, or, at the option of the Issuer, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of, premium on, if any, interest on all Notes the Holders of which will have provided wire transfer instructions to the Issuer or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) **Paying Agent and Registrar.** Initially, Wells Fargo Bank, National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuer may change the Paying Agent or Registrar without prior

notice to the Holders of the Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar.

(4) **Indenture.** The Issuer issued the Notes under an Indenture dated as of April 30, 2010 (the "Indenture") among the Issuer, the Guarantors and the Trustee. The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

(5) **Optional Redemption.**

(a) At any time on or after January 15, 2011, the Issuer may, in its sole and absolute discretion, on any one or more occasions redeem up to \$1.0 million in aggregate principal amount of Notes issued under the Indenture annually at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest to the date of redemption (subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date); *provided* that such request is made to the Issuer based on extenuating medical circumstances, the requesting Holder presents or surrenders to the Registrar the original Notes duly endorsed, and the Issuer accepts such request, in its sole and absolute discretion. There shall be no Bonus Payment or other premium paid and no partial redemption or proration of a Holder's Notes upon a redemption pursuant to this paragraph (5)(a).

(b) At any time on or after March 31, 2012, the Issuer may on any one or more occasions redeem any Series of Notes in whole or in part at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest on the Notes redeemed to the applicable date of redemption, if redeemed during the twelve-month period beginning on March 31 of the years indicated below (subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date):

| <u>Year</u> | <u>Percentage</u> |
|-------------|-------------------|
| 2012 | 108.58 |
| 2013 | 106.87 |
| 2014 | 105.16 |
| 2015 | 103.45 |
| 2016 | 100.00 |
| 2017 | 100.00 |

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(c) In the case of any optional redemption of the Notes pursuant the preceding paragraph (5)(b), in the event that actual Sales for the relevant Reference Period exceed the Budgeted Sales for that Reference Period by more than 10%, a bonus payment (the "Bonus Payment") will be added to the redemption price of any Notes redeemed. The Bonus Payment, if any, for each \$100,000 in principal amount of Notes redeemed during the 12 month period beginning on March 31 of the year set forth below will be the amount corresponding to such year (or a pro-rated amount in the case of Notes with a principal amount greater or less than \$100,000):

| <u>Year</u> | <u>Bonus Payment</u> |
|-------------|----------------------|
| 2012 | \$3,428.55 |
| 2013 | \$5,142.84 |
| 2014 | \$6,857.13 |
| 2015 | \$8,571.42 |
| 2016 | \$10,285.71 |
| 2017 | \$12,000.00 |

For purposes of determining the Bonus Payment hereof:

(1) "Budgeted Sales" for any period of determination shall mean the budgeted or projected Sales for such period, as set forth in the projections attached to the Private Placement Memorandum for any period ending on or prior to December 31, 2010 or, for any period ending after December 31, 2010, in the final budget of CCI for such period delivered to the Trustee prior to the beginning of the fiscal year in which such period occurs;

(2) "Reference Period" shall mean the period beginning on the first day of the first fiscal quarter beginning after the Closing Date and ending on the last day of the fiscal quarter most recently ended prior to the date the Notes are called of redemption for which the financial statements have been, or were required to be, delivered to the Trustee by the Issuer; and

(3) "Sales" shall mean, for any period of determination, retail land sales of CCI and its Subsidiaries during such period, determined in accordance with GAAP.

(d) Notwithstanding anything to the contrary contained in herein, the Indenture or any other Note Document, the Issuer may repurchase the Notes of any Holder at prices agreed to by the Issuer and such Holder without offering the same consideration to each Holder.

(e) Except as otherwise expressly provided, any redemption pursuant to the foregoing provisions shall be made pursuant to the applicable provisions of the Indenture.

(6) ***Mandatory Redemption.***

(a) Within 90 days of the receipt by the Registrar from a Holder (or a Holder's personal representative) of written notice following the death of such Holder or such Holder's spouse which requests that the Notes of such Holder be redeemed, the Issuer will redeem the Notes held by such Holder so long as:

(1) such notice is received by the Registrar within nine months following the date of such death and such Holder (or Holder's personal representative) delivers such evidence of death as may be reasonably requested by the Registrar; and

(2) the principal amount of Notes, together with all other Notes redeemed, or to be redeemed, pursuant to any put option hereunder, in the calendar year in which such redemption is to occur does not exceed the amounts described in the following table:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2010 | No redemption |
| 2011 | \$1,000,000 |
| 2012 | \$1,000,000 |
| 2013 | \$1,000,000 |
| 2014 | \$2,000,000 |
| 2015 | \$4,000,000 |
| 2016 | \$6,000,000 |
| 2017 | No redemption |

(3) So long as the Holder has otherwise complied with this paragraph (6)(a), in the event such Holder cannot exercise its rights under this paragraph (6)(a) as a result of such amount limitations being exceeded, such right shall carry forward into the following calendar year and any Notes of such Holder shall be redeemed within 60 days of the first day of such calendar year unless the Issuer notifies such Holder within 30 days of the first day of such calendar year that the Notes remaining outstanding will not be redeemed because by doing so the amount limitations contained herein would be exceeded. Any notice given by the Holder pursuant to this Section shall be irrevocable after the Issuer notifies the Holder that such redemption will be made. The Registrar will notify the Holder within 30 days if such redemption will be made and, in the case of a partial redemption under paragraph (6)(c) hereof, the amount of the Notes which will be redeemed in such calendar year.

(b) Within 90 days of the receipt by the Registrar from a Holder of written notice following the resignation or resignation and reissuance of the Holder's membership in the Clubs requesting that the Notes of such Holder be redeemed, the Issuer will redeem the Notes held by such Holder so long as:

(1) such notice is received by the Registrar within the period of three months following the date of the resignation or resignation and reissuance of such Holder's membership in the Clubs and such Holder delivers such evidence of the resignation or resignation and reissuance as may be reasonably requested by the Registrar; and

(2) the principal amount of Notes of such Holder, together with all other Notes redeemed, or to be redeemed, pursuant to any put option hereunder, in the calendar year in which such redemption is to occur does not exceed the amounts described in the table above under clause (a)(2). In the event such Holder cannot exercise his put right pursuant to this clause (b)(2), such put right shall carry forward into the following calendar year.

(3) So long as the Holder has otherwise complied with this paragraph (6)(b), in the event such Holder cannot exercise its rights under this paragraph (6)(b) as a result of such amount limitations being exceeded, such right shall carry forward into the following calendar year and any Notes of such Holder shall be redeemed within 60 days of the first day of such calendar year unless the Issuer notifies such Holder within 30 days of the first day of such calendar year that the Notes remaining outstanding will not be redeemed because by doing so the amount limitations contained herein would be exceeded. Any notice given by the Holder pursuant to this Section shall be irrevocable after the Issuer notifies the Holder that such redemption will be made. The Registrar will notify the Holder within 30 days if such redemption will be made and, in the case of a partial redemption under paragraph (6)(c) hereof, the amount of the Notes which will be redeemed in such calendar year.

(c) In the event that the redemption of a Holder's Notes pursuant to any put option hereunder would cause the amount limitations described in the above paragraph (6)(a)(2) to be exceeded, the Issuer will not be required to redeem any Notes held by the relevant Holder but may in its sole discretion redeem such portion of the Notes held by the relevant Holder as would not cause the amount limitations contained in the above paragraph (6)(a)(2) to be exceeded.

(d) A Holder exercising its rights under paragraph (6)(a) or (6)(b), as the case may be, will be required to surrender the Notes, with the form entitled "Holder Exercising Mandatory Redemption Right" attached to the Notes completed within 5 Business Days of notification by the Registrar that the Notes of such Holder will be redeemed (or 15 Business Days prior to the date the Notes are due to be paid under paragraph (6)(a) or (6)(b)) to the Registrar at the address specified in the notice.

(e) Except pursuant to the preceding paragraphs, the Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(f) The redemption price for any redemption pursuant to the rights under this paragraph (6) will be 100% of the outstanding principal of the Notes so redeemed, plus accrued and unpaid interest to the date of redemption (subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date).

(g) No Bonus Payment or other premium will be required to be paid in connection with any redemption pursuant to this paragraph (6).

(h) The Notes will be redeemed under this paragraph (6) within 5 days of notification by the Issuer that the Notes of such Holder will be redeemed (or 15 days prior to the date the Notes are due to be paid under paragraph (6)(a) or (6)(b)) on a first come, first served basis unless the Registrar or the Issuer determines that a different method is appropriate, necessary or advisable.

(7) Repurchase at the Option of Holder.

(a) **Change of Control.** Upon the occurrence of certain Change of Control events described in the Indenture, each Holder of Notes will have the right to require the Issuer to repurchase all or any part of that Holder's Notes on the terms set forth in the Indenture (the "Change of Control Offer"). In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest on the Notes repurchased to the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. The Change of Control Offer is subject to additional conditions set forth in the Indenture.

(b) **Asset Sales.** Any net proceeds from certain Asset Sales described in the Indenture that are not

applied or invested as provided in the Indenture will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds \$5.0 million, within 10 days thereof, the Issuer will make an offer (an "Asset Sale Offer") on a pro rata basis to all Holders of Notes to purchase, prepay or redeem the maximum principal amount of Notes (plus all accrued interest on the Notes) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest to the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. The Asset Sale Offer is subject to additional conditions set forth in the Indenture.

(c) **Events of Loss.** Any net proceeds from certain casualty or condemnation events that are not applied or invested as provided in the Indenture will constitute "Excess Loss Proceeds." When the aggregate amount of Excess Loss Proceeds exceeds \$5.0 million, within 10 days thereof, the Issuer will make an offer (an "Event of Loss Offer") on a pro rata basis to all Holders of Notes to purchase, prepay or redeem the maximum principal amount of Notes (plus all accrued interest on the Notes) that may be purchased, prepaid or redeemed out of the Excess Loss Proceeds. The offer price in any Event of Loss Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest to the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. The Event of Loss Offer is subject to additional conditions set forth in the Indenture.

(8) **Notice of Redemption.** At least 30 days but not more than 60 days before a redemption date, the Issuer will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture pursuant to Articles 8 or 11 thereof. Notes and portions of Notes selected will be in amounts of \$100,000 or whole multiples of \$100,000 in excess thereof, except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder shall be redeemed or purchased.

(9) **Denominations, Transfer, Conversion.** The Series B Notes are in registered form without coupons in denominations of \$50,000 and integral multiples of \$50,000. The transfer of Notes may be registered and Notes may be converted as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer needs not register the transfer or conversion of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuer needs not register the transfer or conversion of any Notes for a period of 15 days before the mailing of a notice of redemption of Notes to be redeemed or during the period between a record date and the next succeeding Interest Payment Date.

(10) **Persons Deemed Owners.** The registered Holder of a Note may be treated as the owner of it for all purposes. Only registered Holders have rights under the Indenture.

(11) **Amendment, Supplement and Waiver.** Subject to certain exceptions, the Indenture, the Notes or the Note Documents may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes voting as a single class, and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Documents may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes voting as a single class. Without the consent of any Holder of Notes, the Indenture, the Notes or the Note Documents may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuer or a Guarantor's obligations to Holders of the Notes and Note Documents by a successor to the Issuer or such Guarantor pursuant to the Indenture, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any Holder, to conform the text of the Indenture, the Notes, the Note Documents to any provision of the "Description of Notes" section of the Private Placement Memorandum, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Note Documents, which intent may be evidenced by an Officer's Certificate to that effect, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes.

(12) **Defaults and Remedies.** Events of Default include:

- (a) default for 30 days in the payment when due of interest on the Notes;

(b) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(c) failure by the Issuer or any Corporate Guarantor to comply with the terms of any Holder repurchase option;

(d) failure by the Issuer or any Corporate Guarantor to comply with any of the other agreements in the Indenture or the Note Documents within 60 days after notice to the Issuer by the Indenture Trustee or the Holders of at least 25% in aggregate principal amount of the Notes of such failure;

(e) default under any mortgage, indenture or instrument other than the Note Documents under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Corporate Guarantor in an aggregate principal amount in excess of \$5.0 million if that default (i) is caused by a failure to pay principal of, premium on, if any, or interest, if any, on, such Indebtedness when due (taking into account any grace period provided in such Indebtedness); or (ii) results in the acceleration of such Indebtedness prior to its express maturity.

(f) failure by the Issuer or any Corporate Guarantor to pay any final, non-appealable judgment entered by a court or courts of competent jurisdiction aggregating in excess of \$5.0 million within 60 days after such judgment is entered;

(g) (i) (A) if any of the Notes, the Indenture or the Corporate Guaranties ceases to be in full force and effect (except as permitted by the terms of the Indenture or the Note Documents) for a period of 30 days after the Issuer or the relevant Corporate Guarantor receives notice thereof, (B) any Note Document ceases to give the Holders a valid, perfected lien or security interest (except as permitted by the terms of the Indenture or the Note Documents) for a period of 30 days after the Issuer or the relevant Corporate Guarantor receives notice thereof, or (C) Issuer or any Corporate Guarantor fails to grant and perfect any security interest required by the Note Documents with respect to Collateral having a fair market value in excess of \$5.0 million in the aggregate; or (ii) the repudiation by the Issuer or any Corporate Guarantor of any of its material obligations under any Note Documents to which it is from time to time a party (except as permitted by the terms of the Indenture or the Note Documents);

(h) except as permitted by the Indenture, any Corporate Guaranty is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, in any material respect, or any Corporate Guarantor, or any Person acting on behalf of any Corporate Guarantor, denies or disaffirms its obligations under its Guaranty (except as permitted by the terms of the Indenture or the Note Documents); and

(i) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any of the Corporate Guarantors.

In the case of an Event of Default of the type specified in clause (e) above, such Event of Default and all consequences thereof will be annulled, waived and rescinded, automatically and without any action by the Indenture Trustee or the Holders of the Notes, if, (i) within 20 days after such Event of Default arose, the Issuer delivers an Officer's certificate to the Trustee stating that (A) the Indebtedness that is the basis of such Event of Default has been discharged; or (B) the Holders thereof have rescinded or waived the acceleration, notice, or action (as the case may be) giving rise to the Event of Default; or (ii) within 30 days after the last day of any grace or cure period available to the Issuer, the Issuer delivers an Officer's Certificate to the Trustee stating that the default that is the basis for such Event of Default has been cured or waived.

Certain Events of Default under the Indenture are subject to cure by CCI, or any lender to CCI on behalf of CCI, beyond the grace or cure periods otherwise provided and subject to the terms and conditions contained in Section 6.01 of the Indenture.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Indenture Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may, by written notice to the Indenture Trustee, declare all the Notes to be due and payable immediately. Subject to certain limitations, the requisite level of Holders may direct the Indenture Trustee in its exercise of any trust or power. The Indenture Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default if it

determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, premium on, if any, and interest in respect of the Notes.

In case an Event of Default occurs and is continuing, the Indenture Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders of Notes unless such Holders have offered to the Indenture Trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest, when due, no Holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless (1) such Holder has previously given the Indenture Trustee written notice that an Event of Default is continuing; (2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Indenture Trustee to pursue the remedy; (3) such Holder or Holders offer and, if requested, provide to the Indenture Trustee security or indemnity reasonably satisfactory to the Indenture Trustee against any loss, liability or expense; (4) the Indenture Trustee does not comply with such request within 60 days after receipt of the request and the offer of security or indemnity; and (5) during such 60-day period, the requisite level of Holders do not give the Indenture Trustee a direction inconsistent with such request.

Holders of more than 50% of the outstanding principal amount of the Notes, by written notice to the Indenture Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest on, the Notes.

(13) **Trustee Dealings with Issuer.** The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuer or any of its Affiliates, and may otherwise deal with the Issuer or any of its Affiliates, as if it were not the Trustee.

(14) **No Recourse Against Others.** No director, officer, employee, incorporator, manager (or managing member), direct or indirect member, Advisory Board member, partner, or shareholder of the Issuer or any Corporate Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

(15) **Authentication.** This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(16) **Abbreviations.** Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) **GOVERNING LAW.** THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUCT THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuer will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

The Cliffs Club & Hospitality Group, Inc.
P.O. Box 1279
3598 Highway 11
Travelers Rest, South Carolina 29690
Attention: J. Scott Carlton, President

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:

(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

SWORN TO BEFORE ME this _____ day of _____, 20__.

NOTARY PUBLIC

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Issuer pursuant to Section 4.09, 4.11 or 4.14 of the Indenture, check the appropriate box below:

☐ Section 4.09

☐ Section 4.10

☐ Section 4.14

If you want to elect to have only part of the Note purchased by the Issuer pursuant to Section 4.09, Section 4.10 or Section 4.14 of the Indenture, state the amount you elect to have purchased:

\$ _____

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

SWORN TO BEFORE ME this ____ day of _____, 20__.

NOTARY PUBLIC

Holder Exercising Mandatory Redemption Right

If you want to exercise your mandatory redemption right and have this Note redeemed by the Issuer pursuant to Section 3.08(a) or 3.08(b) of the Indenture, check the appropriate box below:

☐ Section 3.08(a)

☐ Section 3.08(b)

Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

SWORN TO BEFORE ME this ____ day of _____, 20__.

NOTARY PUBLIC

OGIER,
ROTHSCHILD,
ROSENFELD &
ELLIS-MONRO, PC

ATTORNEYS AT LAW

170 Mitchell Street, SW
Atlanta, GA 30303
404.525.4000 Phone
404.526.8855 Fax
www.orrem.com

May 30, 2012

BMC Group, Inc.
Attn: Cliffs Claims Processing
1876 Lake Drive East
Chanhassen, MN 55317

To Whom It May Concern:

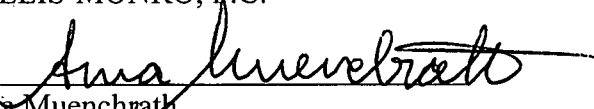
Please find enclosed five (5) proofs of claim. Please stamp and file the proofs of claim and return the copies in the enclosed self addressed envelope.

Please contact the undersigned if you have any questions.

Sincerely,

OGIER, ROTHSCCHILD, ROSENFELD
& ELLIS-MONRO, P.C.

By:


Anna Muenchrath
Legal Assistant

